

SWELLENDAM

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2020

SWELLENDAM MUNICIPALITY

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SWELLENDAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

NATURE OF BUSINESS

SWELLENDAM Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The SWELLENDAM Municipality includes the following areas:

Swellendam
Barrydale
Suurbraak
Buffeljagsrivier
Malagas
Infanta

EXECUTIVE MAYOR

Mr N.G. Myburgh

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor	Mr N.G. Myburgh
Deputy Executive Mayor	Mr A.M. Pokwas
Executive Councillor	Ms E.J. Lambrecht
Executive Councillor	Mr H.F. du Rand

MUNICIPAL MANAGER

A.M. GROENEWALD

CHIEF FINANCIAL OFFICER

H. SCHLEBUSCH

REGISTERED OFFICE

49 Voortrek Street
Swellendam
6740

AUDITORS

Office of the Auditor-General (Western Cape)

PRINCIPLE BANKERS

ABSA Bank , Swellendam

SWELLENDAM MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

ATTORNEYS

Powell, Kelly, Veldman PO Box 18, Swellendam

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY

WARD

COUNCILLOR

1	Cllr E.J. Lamprecht
2	Cllr A.M. Pokwas
3	Cllr M.G. du Plessis
4	Cllr H.F. du Rand
5	Cllr G. Lebazi
6	Cllr J.A. Matthysen
Proportional	Cllr N.G. Myburgh
Proportional	Cllr G. Mangcu-Qotywe
Proportional	Cllr B.O. Sonqwenqwe
Proportional	Cllr M.J. Koch
Proportional	Cllr M.T. Swart

SWELLENDAM MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 1 to 120 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

As per Government Gazette no 43582 dated 5 August 2020, National Treasury has granted municipalities a two month extension regarding the submission of Annual Financial Statements. This municipality has taken advantage of this extension.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

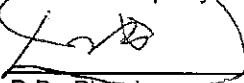
I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.



D Du Plessis

Acting Municipal Manager

2020-10-30

Date

SWELLEN DAM MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 R	2019 R
ASSETS			
Non-Current Assets		376 946 893	335 409 494
Property, Plant and Equipment	2	362 646 465	318 311 472
Investment Property	3	13 374 909	15 127 025
Intangible Assets	4	547 968	505 535
Heritage Assets	5	170 979	170 979
Non-Current Receivables from Exchange Transactions	8	155 005	1 082 447
Non-Current Receivables from Non-Exchange Transactions	9	27 089	206 565
Operating Lease Asset	6.2	24 480	5 473
Current Assets		116 236 700	100 404 948
Inventory	7	3 579 380	3 394 616
Receivables from Exchange Transactions	10	12 189 143	8 030 071
Receivables from Non-exchange Transactions	11	10 315 355	11 415 042
Operating Lease Asset	6.2	61 828	40 417
Taxes	21	1 188 968	2 579 641
Cash and Cash Equivalents	12	88 902 027	74 945 161
Total Assets		493 183 593	435 814 442
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		95 560 506	97 964 530
Long-term Borrowings	13	24 779 744	28 522 545
Non-current Provisions	14	40 880 406	38 795 483
Employee Benefits	15	29 892 000	30 650 681
Operating Lease Liability	6.1	8 357	(4 178)
Current Liabilities		61 898 169	48 074 067
Consumer Deposits	16	2 754 741	2 513 965
Current Employee Benefits	18	12 736 567	10 674 559
Trade and Other Payables from Exchange Transactions	19	28 867 431	24 348 200
Unspent Transfers and Subsidies	20	13 863 146	7 115 532
Current Portion of Long-term Borrowings	13	3 672 267	3 413 534
Operating Lease Liability	6.1	4 018	8 276
Total Liabilities		157 458 675	146 038 598
Net Assets		335 724 918	289 775 845
Capital Replacement Reserve	22	12 000 000	11 000 000
Housing Development Fund	22	-	394 862
Accumulated Surplus/(Deficit)		323 724 918	278 380 983
Total Net Assets and Liabilities		493 183 593	435 814 442

SWELLENDAM MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
REVENUE			
Revenue from Non-exchange Transactions		170 553 032	136 128 284
Taxation Revenue		39 858 145	37 492 151
Property Taxes	23	39 858 145	37 492 151
Transfer Revenue		94 841 964	53 209 904
Government Grants and Subsidies-Capital	24	25 232 225	13 349 628
Government Grants and Subsidies-Operating	24	42 232 761	39 859 323
Contributed Property, Plant and Equipment	25	27 376 977	953
Other Revenue		35 852 923	45 426 229
Fines, Penalties and Forfeits		32 744 736	42 355 508
Interest Earned - Non-exchange Transactions		248 925	158 273
Availability Charges	28	2 859 262	2 912 448
Revenue from Exchange Transactions		137 188 877	123 449 555
Service Charges	27	124 105 294	110 201 486
Sales of Goods and Rendering of Services	29	2 658 949	2 838 363
Rental from Fixed Assets	30	724 803	757 686
Interest Earned - External Investments	31	5 239 528	5 032 794
Interest Earned - Exchange Transactions	32	1 065 105	832 814
Licences and Permits	26	1 269 728	1 450 975
Agency Services		1 938 743	2 102 191
Operational Revenue	33	186 727	233 247
Total Revenue		307 741 910	259 577 840
EXPENDITURE			
Employee related costs	34	97 690 665	85 600 721
Remuneration of Councillors	35	5 292 281	5 103 259
Bad Debts Written Off		3 435 079	900 987
Contracted Services	36	15 965 403	17 534 441
Depreciation and Amortisation	37	10 150 390	9 847 028
Finance Costs	38	4 867 212	5 801 489
Bulk Purchases	39	64 599 689	55 675 625
Inventory Consumed	7.1	7 756 016	8 563 284
Operating Leases		572 729	877 586
Transfers and Subsidies	40	846 834	1 699 908
Operational Cost	41	19 577 305	18 694 307
Total Expenditure		230 753 603	210 298 635
Operating Surplus/(Deficit) for the Year		76 988 306	49 279 205
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(2 962)	(1 776)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	42	(28 517 145)	(28 728 258)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	44	123 860	(6 016 102)
(Gains/Loss) on Sale of Fixed Assets and Inventory	43	(2 642 986)	19 130
NET SURPLUS/(DEFICIT) FOR THE YEAR		45 949 073	14 552 199

SWELLENDAM MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Capital Replacement Reserve R	Housing Development Fund R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2018		10 000 000	2 109 030	261 632 203	273 741 233
Correction of Errors - note 45		-	-	1 482 410	1 482 410
Restated balance 2018	45.2.1	10 000 000	2 109 030	263 114 613	275 223 643
Net Surplus/(Deficit) for the year		-	-	14 552 199	14 552 199
Transfer to/from CRR		1 000 000	-	(1 000 000)	-
Property, Plant and Equipment purchased			-	-	-
Transfer from Housing Development Fund			(1 714 169)	1 714 169	-
Restated balance 2019	45.2.1	11 000 000	394 861	278 380 981	289 775 842
Net Surplus/(Deficit) for the year		-	-	45 949 073	45 949 073
Transfer from CRR for Capital Expenditure		(5 194 523)	-	5 194 523	-
Transfer to CRR		6 194 523		(6 194 523)	-
Transfer from Housing Development Fund			(394 861)	394 861	-
Balance at 30 June 2020		12 000 000	-	323 724 918	335 724 914

SWELLENDAM MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		253 799 431	227 683 416
Property Tax, Service Charges and Other Revenue		173 972 869	166 765 145
Government Grants		74 460 866	55 052 661
Interest		5 365 697	5 865 608
Cash payments		(209 033 891)	(198 931 653)
Suppliers and Employees		(204 825 807)	(194 303 653)
Finance Charges		(3 361 249)	(2 928 092)
Transfers and Grants		(846 834)	(1 699 908)
Net Cash from Operating Activities	46	44 765 541	28 751 763
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(28 055 725)	(16 546 975)
Proceeds on Disposal of Fixed Assets		635 718	312 700
Purchase of Intangible Assets		(126 257)	(155 744)
Purchase of Investment Properties		(19 116)	-
Net Cash from Investing Activities		(27 565 381)	(16 390 019)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Consumer Deposits		240 776	269 161
Repayment of Borrowing		(3 484 067)	(3 081 724)
Net Cash from Financing Activities		(3 243 292)	(2 812 563)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13 956 870	9 549 181
Cash and Cash Equivalents at the beginning of the year		74 945 161	65 395 980
Cash and Cash Equivalents at the end of the year	47	88 902 027	74 945 161
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13 956 870	9 549 181

SWELLENDAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome		Actual Outcome as % of Final Budget
		R	R		R	R		R	R	2020	R	
ASSETS												
Current Assets												
Cash	27 853 411	28 752 258		56 605 669				56 605 669	88 902 027			57,05%
Consumer Debtors	8 932 165	4 260 847		13 193 012				13 193 012	12 189 143			-7,61%
Other Debtors	12 778 557	1 426 064		14 204 621				14 204 621	11 566 150			-18,57%
Inventory	10 273 948	(6 526 644)		3 747 304				3 747 304	3 579 380			-4,48%
50.2.1	59 838 081	27 912 525		87 750 606			-	-	87 750 606	116 236 700		32,46%
Non-Current Assets												
Investment Property	24 885 967	(7 794 242)		17 091 725					17 091 725	13 374 909		-21,75%
Property, Plant and Equipment	316 517 948	13 549 941		330 067 889					330 067 889	362 646 465		9,87%
Intangible Assets	585 928	(156 389)		429 539					429 539	547 968		27,57%
Consumer Debtors	-	-		-					-	155 005		100,00%
Other Debtors	-	-		-					-	27 089		100,00%
Other Non-Current Assets	4 415 637	(4 217 727)		197 910					197 910	195 458		-1,24%
50.2.2	346 405 480	1 381 583		347 787 063			-	-	347 787 063	376 946 893		8,38%
Total Non-Current Assets	406 243 561	29 294 108		435 537 669			-	-	435 537 669	493 183 593		13,24%
LIABILITIES												
Current Liabilities												
Borrowing	2 275 585	551 363		2 826 948					2 826 948	3 672 267		29,90%
Consumer Deposits	2 569 851	145 231		2 715 082					2 715 082	2 754 741		1,46%
Trade and Other Payables	24 030 920	5 867 489		29 898 409					29 898 409	42 730 577		42,92%
Provisions	28 508 309	(14 939 750)		13 568 559					13 568 559	12 736 567		-6,13%
Operating Lease Liability	-	-		-					-	4 018		100,00%
50.2.3	57 384 665	(8 375 668)		49 008 997			-	-	49 008 997	61 898 169		26,30%
Non-Current Liabilities												
Borrowing	24 663 952	(237 996)		24 425 956					24 425 956	24 779 744		1,45%
Provisions	56 876 789	17 890 689		74 767 478					74 767 478	70 772 405		-5,34%
Operating Lease Liability	-	-		-					-	8 357		100,00%
50.2.4	81 540 741	17 652 693		99 193 434			-	-	99 193 434	95 560 506		-3,66%
Total Non-Current Liabilities	138 925 406	9 277 025		148 202 431			-	-	148 202 431	157 458 675		6,25%
NET ASSETS												
Accumulated Surplus/(Deficit)	264 678 192	11 261 184		275 939 376					275 939 376	323 724 918		17,32%
Reserves	2 639 963	8 754 899		11 394 862					11 394 862	12 000 000		5,31%
50.2.5	267 318 155	20 017 083		287 335 238			-	-	287 335 238	335 724 918		16,84%
TOTAL NET ASSETS												

SWELLENDAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved by-law)		Final Budget		Actual Outcome	Actual Outcome as % of Final Budget
			R	R		R	R	R	R	R	R		
REVENUE													
Property Rates		40 467 669		(380 000)	40 087 669					40 087 669		39 858 145	-0,57%
Service Charges - Electricity Revenue		85 621 895		(3 482 648)	82 139 247					82 139 247		82 057 923	-0,10%
Service Charges - Water Revenue		17 394 020		(30 000)	17 364 020					17 364 020		17 772 272	2,35%
Service Charges - Sanitation Revenue		14 792 328		2 852 401	17 644 729					17 644 729		17 656 708	0,07%
Service Charges - Refuse Revenue		8 473 476		985 759	9 459 235					9 459 235		9 477 653	0,19%
Rental of Facilities and Equipment		620 730		50 000	670 730					670 730		724 803	8,06%
Interest Earned - External Investments		4 166 400		983 600	5 150 000					5 150 000		5 239 528	1,74%
Interest Earned - Outstanding Debtors		1 110 085		209 001	1 319 086					1 319 086		1 314 031	-0,38%
Fines, Penalties and Forfeits		48 514 199		(16 971 859)	31 542 340					31 542 340		32 744 736	3,81%
Licences and Permits		1 364 636		9 000	1 373 636					1 373 636		1 269 728	-7,56%
Agency Services		1 916 980		(101 980)	1 815 000					1 815 000		1 938 743	6,82%
Transfers and Subsidies-Operational		52 435 132		10 976 258	63 411 390					63 411 390		42 232 761	-33,40%
Other Revenue		4 054 164		(1 240 962)	2 813 202					2 813 202		2 969 536	5,56%
Gains on Disposal of PPE		1 000 000		-	1 000 000					1 000 000		737 046	-26,30%
50.2.6		281 931 714	(6 141 430)		275 790 284	-		-		275 790 284	255 993 613		-7,18%
Total Revenue (excluding capital transfers and contributions)													
EXPENDITURE													
Employee related costs		108 348 180		(4 232 024)	104 116 156					104 116 156		97 690 665	-6,17%
Remuneration of Councillors		5 594 053		(258 724)	5 335 329					5 335 329		5 292 281	-0,81%
Debt Impairment		34 238 093		(4 061 893)	30 176 200					30 176 200		31 952 225	5,89%
Depreciation and Asset Impairment		9 328 914		1 060 466	10 389 380					10 389 380		10 150 390	-2,30%
Finance Charges		6 524 654		27	6 524 681					6 524 681		4 867 212	-25,40%
Bulk Purchases		67 285 850		(50 000)	67 235 850					67 235 850		64 599 689	-3,92%
Other Materials		21 577 470		(10 376 877)	11 200 593					11 200 597		7 756 016	-30,75%
Contracted Services		24 090 434		14 376 332	38 466 766					38 466 751		15 965 403	-58,50%
Transfers and Subsidies		2 502 000		(1 707 000)	795 000					795 003		846 834	6,52%
Other Expenditure		19 567 439		3 269 513	22 836 952					22 836 954		20 152 997	-11,75%
Loss on Disposal of PPE		-		-	-					-		3 380 031	100,00%
50.2.7		299 057 087	(1 980 180)		297 076 907	-		-		297 076 901	262 653 742		-11,59%
Total Expenditure													
Surplus/(Deficit)		(17 125 373)	(4 161 250)		(21 286 623)	-		-		(21 286 617)	(6 660 129)		-68,71%
Transfers and Subsidies-Capital		15 221 868		5 715 170	20 937 038					20 937 038		25 232 225	20,51%
Contributions Recognised - Capital		-		-	-					-		27 376 977	100,00%
Transfers and Subsidies-capital in kind		-		-	-					-		-	0,00%
Surplus/(Deficit) for the year		(1 903 505)	1 553 920		(349 585)	-		-		(349 579)	45 949 073		-13244,12%

SWELLENDAM MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2020 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Property Tax, Service Charges and Other Revenue	188 939 405	(18 286 287)	170 653 118			170 653 118	173 972 869	1,95%
	Government - Operating	52 435 132	10 976 258	63 411 390			63 411 390	61 050 843	-3,72%
	Government - Capital	15 221 868	5 715 170	20 937 038			20 937 038	13 410 023	-35,95%
	Interest	5 276 485	1 192 601	6 469 086			6 469 086	5 365 697	-17,06%
Payments									
	Suppliers and Employees	(241 712 218)	(3 949 014)	(245 661 232)			(245 661 232)	(204 825 807)	-16,62%
	Finance costs	(5 549 033)	1 951 214	(3 597 819)			(3 597 819)	(3 361 249)	-6,58%
	Transfers and Grants	(2 502 000)	1 707 000	(795 000)			(795 000)	(846 834)	6,52%
50.2.8	Net Cash from/(used) Operating Activities	12 109 639	(693 059)	11 416 580	-	-	11 416 580	44 765 540	292,11%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	1 000 000	-	1 000 000			1 000 000	635 718	-36,43%
Payments									
	Capital Assets	(20 558 844)	(5 715 169)	(26 274 013)			(26 274 013)	(28 201 099)	7,33%
	Net Cash from/(used) Investing Activities	(19 558 844)	(5 715 169)	(25 274 013)	-	-	(25 274 013)	(27 565 381)	9,07%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Increase/(Decrease) in Consumer Deposits	190 359	10 758	201 117			201 117	240 776	19,72%
Payments									
	Repayment of Borrowing	(4 039 133)	(644 043)	(4 683 176)			(4 683 176)	(3 484 067)	-25,60%
	Net Cash from/(used) Financing Activities	(3 848 774)	(633 285)	(4 482 059)	-	-	(4 482 059)	(3 243 294)	-27,64%
NET INCREASE/(DECREASE) IN CASH HELD									
	Cash and Cash Equivalents at the year begin:	(11 297 979)	(7 041 513)	(18 339 492)	-	-	(18 339 492)	13 956 866	-176,10%
		39 151 390	35 793 771	74 945 161			74 945 161	74 945 161	0,00%
	Cash and Cash Equivalents at the year end:	27 853 411	28 752 258	56 605 669	-	-	56 605 669	88 902 026	57,05%

SWELLENDAM MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transact for periods after 1 July 2019. The result of this process could result in reclassifications and naming of items in the annual financial statements.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- actual amounts and final budget amounts.

Explanations for differences more than 5% between the approved and final budget are included in the Notes to the Financial Statements. Amounts lower than material differences as set out in clause 1.6 are excluded.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2019/20 financial year. The implementation date of GRAP 18 is 1 April 2020

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 34 (Revised – April 2020)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future</p>	1 April 2020
GRAP 35 (Revised – April 2020)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 36 (Revised – April 2020)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<p>GRAP 37 (Revised – April 2020)</p>	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2020</p>
<p>GRAP 38 (Revised - April 2020)</p>	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2020</p>
<p>GRAP 104 (Revised – April 2020)</p>	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>GRAP 110 (Revised – April 2020)</p>	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No impact is expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2020</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

I GRAP 20	<p><u>Accounting for Adjustments on Revenue</u></p> <p>The Interpretation clarifies the accounting for adjustments to:</p> <ul style="list-style-type: none">a) exchange and non-exchange revenue charged in terms of legislation or similar means; andb) interest and penalties that arise from revenue already recognised <p>as a result of the completion of a review, appeal, or objection process.</p> <p><u>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</u></p>	1 April 2020
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development.

Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.10. LEASES

1.10.1 Municipality as Lessee

Initial Recognition and Measurement

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent Measurement

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

De-Recognition

The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating Leases

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Finance Leases

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Operating Leases

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.14. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.14.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans are valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.14.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.14.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.14.5 Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.14.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.16.3 Depreciation and Impairment

Land is not depreciated as it is regarded as having an unlimited life. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives: (indicated in years)

Class of Asset	Years
Intangible Assets	5-14
Investment property	
Land	0
Buildings	10- 100
Infrastructure assets	
Roads	7- 80
Storm Water	20- 100
Electricity	20- 65
Water supply	8- 100
Sanitation	10- 100
Solid Waste	15- 55
Leased Assets	3- 8
Community Assets	0- 100
Other Assets	0- 100
Computer Equipment	3- 35
Furniture and Office Equipment	2- 40
Information and communication infrastructure	10- 30
Transport assets	5- 45

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	5-10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

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At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.18.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

1.18.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.19.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the number of inventories recognised as an expense in the period in which the reversal occurs.

The carrying number of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial liabilities at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

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(a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

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1.23.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.23.4 Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's

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reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25 ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.26 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable either if it:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
 - arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.27 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity?
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager,

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties.

Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.28. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.31. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

1.32. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1.32.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.32.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.32.3 Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

1.32.4 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.32.5 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.32.6 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.32.7 Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir or with dipsticks, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.32.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.32.9 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.32.10 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to government bond rates was used to calculate the effect of time value of money.

1.32.11 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.32.12 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

for the last 5 days during the year under review is used as the estimate for calculating unused units.

1.32.13 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.33. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.34. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.35. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.36. TAXATION

1.36.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.36.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/ (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/ (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.36.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2.1 30 JUNE 2020

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

30 JUNE 2020 (Continue)

	Cost/Revaluation				Accumulated Depreciation and Impairment Losses						Carrying Value		
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers		Disposals/ Impairment	Closing Balance
Other Assets													
Other	37 283 781	-	46 032	(663 903)	(477 364)	36 188 546	11 823 892	-	90 596	(1 093 566)	(403 107)	10 417 815	25 770 731
Libraries	4 471 754	-	-	(4 471 755)	-	0	1 710 979	-	-	(1 710 979)	-	(0)	0
Computer Equipment	3 838 264	-	743 667	-	(150 366)	4 431 565	1 823 445	-	321 750	(104 223)	(104 223)	2 040 972	2 390 594
Furniture and Office Equipment	5 402 286	-	207 711	168	(58 415)	5 551 750	2 860 033	-	304 680	(20)	(64 787)	3 099 906	2 451 844
Machinery and Equipment	4 375 571	-	130 400	3	(71 872)	4 434 102	2 352 303	-	296 932	1 827	(94 791)	2 556 271	1 877 831
Information and Communication	284 380	-	-	-	-	284 380	207 067	-	8 543	-	-	215 610	68 771
Transport Assets	14 515 127	-	307 185	(171)	(254 257)	14 567 884	7 047 713	-	332 523	(1 807)	(130 262)	7 248 167	7 319 717
	70 171 164	-	1 434 995	(5 135 658)	(1 012 274)	65 458 228	27 825 431	-	1 355 024	(2 804 545)	(797 170)	25 578 740	39 879 488
Leases													
Furniture and Office Equipment	1 969 945	-	-	-	-	1 969 945	858 521	-	579 667	-	-	1 438 188	531 757
	1 969 945	-	-	-	-	1 969 945	858 521	-	579 667	-	-	1 438 188	531 757
Capitalised Restoration Cost													
	19 560 178	-	1 305 584	-	-	20 865 762	17 521 658	-	1 329 259	-	666 961	19 517 878	1 347 885
	19 560 178	-	1 305 584	-	-	20 865 762	17 521 658	-	1 329 259	-	666 961	19 517 878	1 347 885
Total	423 676 392	-	56 738 287	(1 107 308)	(4 011 867)	475 295 506	105 364 919	-	9 982 730	(1 093 566)	(1 605 046)	112 649 038	362 646 465

	Cost					Accumulated Depreciation and Impairment Losses					Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers		Disposals/ Impairment
Infrastructure												
Roads	64 463 273	351 421	1 464 989	1 529 585	-	67 809 268	10 207 142	29 511	1 378 056	-	-	11 614 709
Storm Water	34 010 992	69 235	1 511 995	1 617 410	-	37 209 632	4 366 284	4 257	660 400	-	-	5 030 941
Electricity	32 503 573	-	2 214 732	1 837 723	-	36 556 028	9 344 302	-	691 611	-	-	10 035 913
Water Supply	52 243 186	266 669	5 874 037	2 041 941	-	60 425 833	9 683 675	37 754	1 085 964	-	-	10 807 293
Sanitation	84 844 988	879 075	484 241	-	-	86 208 304	14 135 394	33 785	1 755 648	-	-	15 924 827
Solid Waste	232 461	-	-	-	-	232 461	143 556	-	7 426	-	-	150 982
Work in progress	9 928 423	953 415	1 244 961	(7 026 660)	-	5 100 139	-	-	-	-	-	-
	278 226 897	2 519 815	12 794 955	(1)	-	293 541 666	47 880 354	105 307	5 579 005	-	-	53 564 666
Community Assets												
Community Assets	33 992 549	(718 241)	281 338	4 877 792	-	38 433 438	3 398 632	1 866 004	253 805	-	76 202	5 594 643
Work in progress	862 925	-	-	(662 925)	-	0	-	-	-	-	-	-
	34 855 474	(718 241)	281 338	4 214 867	-	38 433 438	3 398 632	1 866 004	253 805	-	76 202	5 594 643

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

30 JUNE 2019 (Continue)

	Cost/Revaluation				Accumulated Depreciation and Impairment Losses							Carrying Value	
	Opening Balance	Correction of Error	Additions	Transfers	Disposals/ Impairment	Restated Closing Balance	Opening Balance	Correction of Error	Depreciation	Transfers	Disposals/ Impairment		Closing Balance
Other Assets													
Other Land	37 558 591	3 790 308	151 246	(4 212 501)	(3 863)	37 283 781	7 746 015	(487 441)	83 977	-	4 481 342	11 823 892	25 459 889
Libraries	4 474 120	-	-	(2 366)	-	4 471 754	370 872	-	50 330	-	1 289 777	1 710 979	2 760 775
Computer Equipment	3 445 084	(11 503)	643 025	(13 444)	(224 898)	3 838 264	1 731 728	6 179	235 367	(31 865)	(137 964)	1 823 445	2 014 820
Furniture and Office Equipment	5 488 135	16 872	250 423	(149 848)	(183 296)	5 402 286	2 716 831	(10 477)	279 216	(9 346)	(116 191)	2 860 033	2 542 253
Machinery and Equipment	3 727 947	(43 203)	684 904	312 439	(306 516)	4 375 571	2 364 567	(167 915)	223 567	188 509	(256 425)	2 352 303	2 023 268
Information and Communication	148 120	284 380	-	(148 120)	-	284 380	140 315	207 067	-	(140 315)	-	207 067	77 314
Transport Assets	13 830 380	(27 760)	788 622	(1 027)	(75 088)	14 515 127	6 785 772	(10 488)	345 374	(6 984)	(65 961)	7 047 713	7 467 414
	68 652 378	4 009 094	2 518 220	(4 214 867)	(793 661)	70 171 164	21 856 099	(463 075)	1 237 831	(1)	5 194 578	27 825 431	42 345 733
Leases													
Furniture and Office Equipment	1 969 945	-	-	-	-	1 969 945	276 635	-	581 886	-	-	858 521	1 111 424
	1 969 945	-	-	-	-	1 969 945	276 635	-	581 886	-	-	858 521	1 111 424
Capitalised Restoration Cost													
	18 325 921	-	1 234 257	-	-	19 560 178	15 536 583	-	1 985 075	-	-	17 521 658	2 038 520
Total	401 830 616	5 810 668	16 828 770	(1)	(793 661)	423 676 392	88 948 302	1 508 236	9 637 602	(1)	5 270 780	105 364 919	318 311 472

See previous sheet page 1
page 2
page 3
page 4

The figures for 2019 which were previously stated as Water supply R252 570 and Sanitation R3 894 164 respectively are now restated due to correction of errors.

The upgrading of the Barrydale Waste Water Treatment Works was halted due to counter funding availability.

The figures for the 2019 year are restated, due to allocation errors found and corrected.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2.7 Third party payments received for losses Incurred:		
Payments received (excluding VAT)	-	10 699
Carrying value of assets written off/lost	-	(7 531)
Surplus/(Deficit)	-	3 169
	2020 R	2019 R
2.8 Impairment losses of Property, Plant and Equipment		
Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:		
Capitalised Restoration cost - Landfill Site	666 961	-
Community Assets	-	76 202
Other	-	5 771 396
Total Impairment Losses	666 961	5 847 598
	2020 R	2019 R
2.9 Reversal of Impairment losses of Property, Plant and Equipment		
Reversal of Impairment losses on Property, Plant and Equipment recognised in the Statement of Financial Performance are as follows:		
Capitalised Restoration cost - Landfill Site	123 860	-
Community Assets	-	-
Other	-	1 425 271
Total Reversal of Impairment losses	123 860	1 425 271
2.10 Effect of changes in accounting estimates		
During the current year the useful lives of assets were re-assessed. The effect on the current and future periods are as follows:		
	2020 R	2021 R
Effect on Property, Plant and Equipment	(481 305)	(618 153)
	2020	2019
2.11 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	8 738 281	7 559 829
Infrastructure	8 738 281	7 559 829
Total	8 738 281	7 559 829
	2020 R	2019 R
This expenditure will be financed from:		
Capital Replacement Reserve	-	793 248
Government Grants	8 738 281	6 766 582
Total	8 738 281	7 559 829

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2.12 Land is controlled, but Swellendam Municipality is not the legal owner/custodian		
Carrying value at year-end:		
Erf 470 - Suurbraak (Library)	971 274	990 772
Erf 310 - Suurbraak (Stores)	591 348	596 681
11 Erven - Swellendam (Street corridors)	10 100	10 100
Total	1 572 722	1 597 553

Key judgements and assumptions applied

- Right to direct access to land and to restrict/deny the access of others
- Binding arrangement
- Risk Management

	2020 R	2019 R
2.13 Land is not controlled, but Swellendam Municipality is the legal owner/custodian		
Valuation as reflected on the 2019 valuation roll:		
104 properties still to be transferred to owners	11 009 000	11 009 000
Erf 209 - part of N2 National Road	-	-
Total	11 009 000	11 009 000

Key judgements and assumptions applied

- No right to direct access to land and to restrict/deny the access of others
- Title deed holder
- Risk Management
- Binding arrangement

	2020 R	2019 R Restated
3. INVESTMENT PROPERTY		
3.1 Net carrying value at 1 July	15 127 026	15 188 733
Cost	17 355 371	17 365 331
Accumulated Depreciation	(932 720)	(845 987)
Accumulated Impairment Loss	(1 295 626)	(1 330 611)
Transfer from/(to) Property, Plant and Equipment - Note 2	(182 554)	-
Cost	911 012	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	(1 093 566)	-
Transfer from/(to) Inventory - Note 7	31 500	-
Cost	31 500	-
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Disposals	(1 532 406)	(9 962)
Cost	(1 692 044)	(9 962)
Accumulated Depreciation	143 279	-
Accumulated Impairment Loss	16 358	-

Accumulated Depreciation and Accumulated Impairment were previously over- and understated with R106 655. This error is now corrected.
The net effect on the carrying value is zero.

See prior year reclassification note 45.1 (iv).
See prior year correction of error note 45.2.1 (ii).

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Additions	19 116	-
Depreciation for the year	(87 772)	(86 733)
Impairment loss	-	(373 142)
Reversal of Impairment loss	-	408 128
Net carrying value at 30 June	13 374 909	15 127 025
Cost/Valuation	16 624 955	17 355 371
Accumulated Depreciation	(877 212)	(932 720)
Accumulated Impairment Loss	(2 372 833)	(1 295 626)
	2020 R	2019 R
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	47 401	8 504
	2020 R	2019 R
3.3 Operating Expenditure incurred on properties:		
Repairs and Maintenance		
Revenue Generating	10 000	-
Improved Property	10 000	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Repairs and Maintenance	10 000	-
Other Operating Expenditure		
Revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Other Operating Expenditure	-	-
	2020 R	2019 R
3.4 Impairment losses of Investment Property		
Impairment losses on Investment Property recognised in the Statement of Financial Performance are as follows:		
Revenue Generating	-	(115 467)
Improved Property	-	(115 467)
Unimproved Property	-	-
Non-revenue Generating	-	(257 675)
Improved Property	-	(257 675)
Unimproved Property	-	-
Total Impairment Losses	-	(373 142)

SWELLEDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
3.5 Reversal of Impairment losses of Investment Property		
Reversal of impairment losses on Investment Property recognised in the Statement of Financial Performance are as follows:		
Revenue Generating	-	386 806
Improved Property	-	210 806
Unimproved Property	-	176 000
Non-revenue Generating	-	21 322
Improved Property	-	21 322
Unimproved Property	-	-
Total Reversal of Impairment losses	-	408 128
	2020	2019
3.6 Investment Property (land) is controlled, but the municipality is not the legal owner/custodian	R	R
Carrying value at year-end:		
Erf 420 - Suurbraak (Post Office rented out)	290 297	290 297
Total	290 297	290 297
<u>Key judgements and assumptions applied</u>		
- Right to direct access to land and to restrict/deny the access of others		
- Risk Management		
- Binding arrangement		
	2020	2019
3.7 Investment Property (land) is not controlled, but the municipality is the legal owner/custodian	R	R
Carrying value at year-end	-	-
Total	-	-
3.8 There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
3.9 There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R Restated
4. INTANGIBLE ASSETS		
4.1 Net carrying value at 1 July	505 535	434 710
Cost	911 125	924 628
Accumulated Amortisation	(405 590)	(489 918)
Accumulated Impairment Loss	-	-
Additions	126 257	155 744
Amortisation	(79 886)	(71 387)
Disposals	(3 937)	(13 552)
Cost	(163 248)	(169 247)
Accumulated Amortisation	159 310	155 695
Transfers	-	-
Amortisation written back on disposal	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net carrying value at 30 June	547 968	505 535
Cost	874 134	911 125
Accumulated Amortisation	(326 166)	(405 590)
Accumulated Impairment Loss	-	-

The opening balance of Cost as well as Accumulated Amortisation of 2019 was re-stated to correct the overstatement of R33 822 for each component. The net effect in the carrying value was zero.

See prior year correction of error note 45.2.1 (i).

4.2 Effect of changes in accounting estimates

During the current year the useful lives of assets were re-assessed.
The effect on the current and future periods are as follows:

	2020 R	2021 R	2022 R
Effect on Intangible Assets	-	-	-

4.3 Material Intangible Assets Included in the carrying value:

		2020 R	2019 R Restated
Description	Remaining Amortisation Period		
Microsoft Office and software	5 - 14 years	380 978	313 155
Esri	10 years	132 158	158 775

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets of which the title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4.4 Impairment losses of Intangible Assets	2020 R	2019 R
Impairment losses on Intangible Assets recognised in the Statement of Financial Performance are as follows:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total Impairment Losses	-	-

4.5 Reversal of Impairment losses of Intangible Assets	2020 R	2019 R
Reversal of Impairment losses on Intangible Assets recognised in the Statement of Financial Performance are as follows:		
Servitudes	-	-
Computer Software	-	-
Licences and Rights	-	-
Total Reversal of Impairment losses	-	-

5. HERITAGE ASSETS	2020 R	2019 R
5.1 Net carrying value at 1 July	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
Transfers	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net carrying value at 30 June	170 979	170 979
Cost	170 979	170 979
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposals.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities.

There are no Heritage Assets that are used by the municipality for more than one purpose.

5.2 Expenditure incurred to repair and maintain Heritage Assets:	2020 R	2019 R
Employee related costs	-	-
Other materials	-	-
Contracted Services	-	-
Other Expenditure	-	-
Total Repairs and Maintenance	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5.3 Impairment losses of Heritage Assets**2020
R****2019
R**

Impairment losses on Heritage Assets recognised in the Statement of Financial Performance are as follows:

Monuments	-	-
Historic Buildings	-	-
Works of Art	-	-
Conservation Areas	-	-
Other Heritage	-	-
Total Impairment Losses	-	-

5.4 Reversal of Impairment losses of Heritage Assets**2020
R****2019
R**

Reversal of Impairment losses on Heritage recognised in the Statement of Financial Performance are as follows:

Monuments	-	-
Historic Buildings	-	-
Works of Art	-	-
Conservation Areas	-	-
Other Heritage	-	-
Total Reversal of Impairment losses	-	-

5.5 Heritage Assets retired from active use and held for disposal**2020
R****2019
R**

Monuments	-	-
Historic Buildings	-	-
Works of Art	-	-
Conservation Areas	-	-
Other Heritage	-	-
Total	-	-

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
6. OPERATING LEASE ARRANGEMENTS		
6.1 The municipality as Lessee		
Operating Lease Liability	12 374	4 098
	2020 R	2019 R
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	8 357	(4 178)
Current Operating Lease Asset	4 018	8 276
	12 374	4 098
	2020 R	2019 R
<u>Reconciliation</u>		
Balance at the beginning of the year	4 098	-
Movement during the year	8 276	4 098
Balance at the end of the year	12 374	4 098
	2020 R	2019 R
As at year-end, the municipality will pay operating lease expenditure as follows:		
Up to 1 Year	217 191	204 898
1 to 5 Years	150 473	367 664
More than 5 Years	-	-
Total Operating Lease Arrangements	367 664	572 562
This operating lease expenditure is determined from contracts that have a specific expenditure condition.		
	2020 R	2019 R Restated
6.2 The municipality as Lessor		
Operating Lease Asset	86 307	45 890
	2020 R	2019 R
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Liability	24 480	5 473
Current Operating Lease Liability	61 828	40 417
	86 307	45 890

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
Reconciliation		
Balance at the beginning of the year	45 890	37 812
Movement during the year	40 417	8 078
Balance at the end of the year	86 307	45 890

	2020	2019
	R	R
As at year-end, the municipality will receive operating lease income as follows:		
Up to 1 Year	411 862	339 908
1 to 5 Years	1 277 774	1 455 938
More than 5 Years	1 070 086	1 303 784
Total Restated Operating Lease Arrangements	2 759 722	3 099 630

The future operating lease income, which was previously stated as R117 489, was increased to R300 630 due to the retrospective recognition of rental contracts.

This operating lease income is determined from contracts that have a specific income condition.

7. INVENTORY

	2020	2019
	R	R
		Restated
Consumables	3 345 155	3 162 520
Unsold Plots	182 897	177 806
Opening Balance	177 806	517 335
Transferred from / (to) Property, Plant and Equipment	39 091	(227 500)
Transferred to Investment Properties	(31 500)	-
Plots sold	(2 500)	(53 213)
Loss on Plots sold	-	(58 815)
Water	51 328	54 290
Total Inventory	3 579 380	3 394 616

See prior year correction of error note 45.2.1 (iv).

See prior year reclassification note 45.1 (iv).

7.1 Inventories recognise as an expense during the year:

	2020	2019
	R	R
		Restated
Consumables	729 168	508 547
Materials and Supplies	7 026 848	8 054 737
Total	7 756 016	8 563 284

Included under Consumables are COVID-19 expenses funded by the municipality.

See prior year reclassification note 45.1 (i).

See prior year reclassification note 45.1 (ii).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R Restated
8. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	1 672 571	2 181 227
Electricity	260 968	345 335
Water	470 841	547 779
Refuse	323 866	437 188
Sewerage	520 533	698 003
Rentals	566	494
Sundry Receivables	95 798	152 428
Less: Current portion transferred to Receivables from Exchange Transactions	(511 215)	(551 672)
	1 161 356	1 629 555
Less: Provision for Debt Impairment	(1 006 351)	(547 108)
Total Non-Current Receivables from Exchange Transactions	155 005	1 082 447
	2020 R	2019 R Restated
9. NON-CURRENT RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	246 857	390 486
Taxes - Rates	246 857	390 486
Less: Current portion transferred to Receivables Non-Exchange Transactions	(72 994)	(100 084)
	173 863	290 402
Less: Provision for Debt Impairment	(146 775)	(83 837)
Total Non-Current Receivables from Non-Exchange Transactions	27 089	206 565
	2020 R	2019 R Restated
10. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	9 274 442	5 867 133
Water	6 038 125	4 681 615
Refuse	3 649 330	3 209 390
Sewerage	5 828 917	5 031 937
Rentals	95 242	256 762
Sundry Receivables	1 565 326	1 779 336
Total billed: Receivables from exchange transactions (before provision)	26 451 383	20 826 171
Other debtors not billed	264 589	404 088
Total: Receivables from exchange transactions (before provision)	26 715 972	21 230 259
Less: Provision for Debt Impairment	(14 526 829)	(13 200 188)
Total: Receivables from exchange transactions (after provision)	12 189 143	8 030 071

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R Restated
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	6 128 923	4 129 027
31 - 60 Days	1 693 372	666 230
61 - 90 Days	220 320	35 784
+ 90 Days	1 231 827	1 036 092
Total	9 274 442	5 867 133

	2020 R	2019 R
<u>(Water): Ageing</u>		
Current (0 - 30 days)	2 303 744	1 266 360
31 - 60 Days	502 879	478 930
61 - 90 Days	292 085	136 723
+ 90 Days	2 939 417	2 799 601
Total	6 038 125	4 681 615

	2020 R	2019 R
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 241 051	797 269
31 - 60 Days	224 696	288 037
61 - 90 Days	182 317	85 991
+ 90 Days	2 001 266	2 038 093
Total	3 649 330	3 209 390

	2020 R	2019 R
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 956 538	1 307 962
31 - 60 Days	361 894	487 132
61 - 90 Days	290 688	138 672
+ 90 Days	3 219 798	3 098 170
Total	5 828 917	5 031 937

	2020 R	2019 R
<u>(Rentals): Ageing</u>		
Current (0 - 30 days)	36 867	29 173
31 - 60 Days	2 666	16 274
61 - 90 Days	471	6 185
+ 90 Days	55 238	205 129
Total	95 242	256 762

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Sundry Receivables): Ageing</u>		
Current (0 - 30 days)	95 574	85 787
31 - 60 Days	110 216	55 834
61 - 90 Days	44 249	37 965
+ 90 Days	1 315 288	1 599 750
Total	1 565 326	1 779 336

	2020 R	2019 R
<u>(Total): Ageing</u>		
Current (0 - 30 days)	11 762 697	7 615 579
31 - 60 Days	2 895 723	1 992 437
61 - 90 Days	1 030 129	441 319
+ 90 Days	10 762 834	10 776 836
Total	26 451 383	20 826 171

Summary of Debtors by Customer Classification (Current and Non Current)

	<u>Residential</u>	<u>Industrial/ Commercial/ Other</u>	<u>National and Provincial Government</u>
30 June 2020			
Current (0 - 30 days)	10 231 023	1 458 037	73 636
31 - 60 Days	2 471 524	417 031	7 167
61 - 90 Days	864 855	158 174	7 100
+ 90 Days	10 501 585	1 373 089	49 516
Sub-total	24 068 988	3 406 332	137 420
Less: Provision for Debt Impairment	(13 572 875)	(1 889 667)	(70 638)
Total debtors by customer classification	10 496 113	1 516 665	66 781

Summary of Debtors by Customer Classification (Current and Non Current)

	<u>Residential</u>	<u>Industrial/ Commercial/ Other</u>	<u>National and Provincial Government</u>
30 June 2019			
Current (0 - 30 days)	3 962 426	3 127 816	525 338
31 - 60 Days	1 481 570	414 026	96 841
61 - 90 Days	406 273	27 231	7 815
+ 90 Days	11 221 727	1 034 397	150 266
Sub-total	17 071 996	4 603 470	780 260
Less: Provision for Debt Impairment	(12 142 730)	(1 440 178)	(164 387)
Total debtors by customer classification	4 929 265	3 163 292	615 873

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	13 747 296	12 534 296
Contribution to provision	2 019 192	1 149 141
VAT on provision	173 040	158 217
Reversal of provision	(406 349)	(94 358)
Balance at end of year	15 533 180	13 747 296

	2020	2019
	R	R
The total amount of this provision consists of:		
Services	14 017 488	11 764 302
Other Debtors	1 515 692	1 982 993
Total Provision for Debt Impairment on Receivables from exchange transactions	15 533 180	13 747 296

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2020	2019
	R	R
		Restated
Taxes - Rates	7 576 768	6 618 022
Fines	51 036 850	53 533 650
Other	337 628	465 081
	58 951 246	60 616 753
Less: Provision for Debt Impairment	(48 635 892)	(49 201 710)
Total Receivables from non-exchange transactions	10 315 355	11 415 042

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

<u>(Rates): Ageing</u>	2020	2019
	R	R
Current (0 - 30 days)	2 968 744	2 625 896
31 - 60 Days	864 067	692 296
61 - 90 Days	713 244	148 619
+ 90 Days	3 030 713	3 151 211
Total	7 576 768	6 618 022

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Summary of Debtors (Rates) by Customer Classification (Current and non-Current)

	<u>Residential</u>	<u>Industrial/ Commercial/ Other</u>	<u>National and Provincial Government</u>
30 June 2020			
Current (0 - 30 days)	3 452 710	366 439	13 662
31 - 60 Days	376 141	32 047	1 619
61 - 90 Days	279 877	22 272	1 288
+ 90 Days	2 628 974	532 585	43 018
Sub-total	6 737 702	953 343	59 587
Less: Provision for Debt Impairment	(3 483 577)	(627 901)	(43 082)
Total debtors by customer classification	3 254 125	325 442	16 504

Summary of Debtors (Rates) by Customer Classification (Current and non-Current)

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2019			
Current (0 - 30 days)	1 801 793	817 163	6 939
31 - 60 Days	501 806	184 517	5 973
61 - 90 Days	94 023	48 640	5 956
+ 90 Days	2 403 654	420 098	617 862
Sub-total	4 801 275	1 470 418	636 730
Less: Provision for Debt Impairment	(2 843 912)	(595 308)	(634 067)
Total debtors by customer classification	1 957 364	875 110	2 663

Reconciliation of Provision for Debt Impairment

	2020 R	2019 R
Balance at beginning of year	49 285 547	47 227 486
Contribution to provision traffic fines	-	2 802 687
Contribution to provision	81 273	-
Reversal of provision	(584 153)	(744 626)
Balance at end of year	48 782 667	49 285 547
	2020 R	2019 R

The total amount of this provision consist of:

Taxes	4 154 560	4 073 287
Fines	44 628 107	45 212 261
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	48 782 667	49 285 548

The provision for doubtful debts on debtors exists due to the possibility that not all debts will be recovered.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fines receivable balance at year-end is reduced to its recoverable amount by recognising a provision for impairment. This is considered to be a subsequent event. The provision for impairment is based on current collection rates applicable to fines.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12.	BANK ACCOUNTS	2020 R	2019 R
	Cash and Cash Equivalents		
	Current Accounts	88 194 572	74 238 990
	Call Deposits and Investments	701 284	700 000
	Cash On-hand	6 171	6 171
	Total Cash and Cash Equivalents - Assets	88 902 027	74 945 161
Cash and cash equivalents comprise of cash held and short term deposits. The carrying value of these assets approximates their fair value.			
	The municipality has the following bank accounts:	2020 R	2019 R
	Current Accounts		
	First National Bank - Account number 53840005730	5 594 438	6 077 923
	ABSA - Account Number 2390560039 (Primary Bank)	82 239 155	67 706 492
		87 833 593	73 784 415
		2020 R	2019 R
	Cash book balance at beginning of year	74 238 990	65 389 809
	Cash book balance at end of year	88 194 572	74 238 990
	Bank statement balance at beginning of year	73 784 415	65 140 009
	Bank statement balance at end of year	87 833 593	73 784 415
	Guarantees held		
	In Favour of Eskom - First National Bank	2 000	2 000
	In Favour of Department of Minerals and Energy (RSA) - First National Bank	20 000	20 000
	In Favour of Powell Kelly Veldman - ABSA	700 000	700 000
13.	LONG-TERM BORROWINGS	2020 R	2019 R
	Annuity Loans - At amortised cost	27 380 710	29 735 690
	Hire Purchase - At amortised cost	458 638	1 009 323
	Capitalised Lease Liability - At amortised cost	612 667	1 191 066
		28 452 013	31 936 079
	Less: Current Portion transferred to Current Liabilities	3 672 267	3 413 534
	Annuity Loans - At amortised cost	2 600 963	2 353 039
	Hire Purchase - At amortised cost	458 637	482 095
	Capitalised Lease Liability - At amortised cost	612 667	578 400
	Total Long-term Borrowings	24 779 744	28 522 545

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
13.1	Minimum payments	
The obligations under annuity loans are scheduled below:		
Amounts payable under annuity loans:		
Payable within one year	5 530 123	5 544 692
Payable within two to five years	20 939 630	21 733 278
Payable after five years	16 851 673	21 584 957
	43 321 426	48 862 926
Less: Future finance obligations	(15 940 717)	(19 127 237)
Present value of annuity loans obligations	27 380 710	29 735 690

The annuity loans consist of the following contracts:

Unsecured annuity loans at amortised cost consist of 8 contracts with DBSA, with interest rates between 8,075% and 15,9%, with maturity dates between 2017 and 2030.

An unsecured loan from ABSA - A principle amount of R6 595 800 at a fixed interest rate of 9% (capitalised monthly) and with repayments 6 monthly.

	2020 R	2019 R
13.2	Minimum payments	
The obligations under hire purchases are scheduled below:		
Amounts payable under hire purchases:		
Payable within one year	480 188	562 326
Payable within two to five years	-	563 094
Payable after five years	-	-
	480 188	1 125 420
Less: Future finance obligations	(21 551)	(116 096)
Present value of hire purchases obligations	458 638	1 009 323

The hire purchase consist of the following contracts:

A Hire Purchase agreement at amortised cost was entered with ABSA. The principle amount is R2 320 262,95 at a fixed interest rate of 8% (capitalised monthly) and with repayments 6 monthly. The loan is secured.

	2020 R	2019 R
13.3	Minimum payments	
The obligations under finance leases are scheduled below:		
Amounts payable under finance leases:		
Payable within one year	643 724	671 599
Payable within two to five years	-	643 724
Payable after five years	-	-
	643 724	1 315 322
Less: Future finance obligations	(31 057)	(124 255)
Present value of finance lease obligations	612 667	1 191 067

The capitalised lease liability consist out of the following contracts:

The municipality has entered into lease agreements with Centrafin for copiers, shredders and printers with a rental period of 36 months, starting 1 June 2018. Rental instalments are payable monthly. An annual escalation of 5% is applicable.

Hire Purchases and leases are secured by Property, Plant and Equipment - Note 2.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. NON-CURRENT PROVISIONS

	2020	2019
	R	R
Provision for Rehabilitation of Landfill-sites	40 880 406	38 795 483
Total Non-current Provisions	40 880 406	38 795 483
	2020	2019
	R	R
<u>Landfill Sites</u>		
Balance 1 July	38 795 483	35 296 246
Contribution for the year	1 446 299	2 264 981
Change In Provision for Rehabilitation Cost	638 624	1 234 257
Expenditure for the year	-	-
Total provision 30 June	40 880 406	38 795 483
<u>Less:</u> Transfer of Current Portion to Current Provisions - Note 17	<u>-</u>	<u>-</u>
Balance 30 June	40 880 406	38 795 483

The estimated rehabilitation costs for each of the existing sites are based on the current construction costs. The assumptions used are as follows:

	<u>Malagas</u>	<u>Swellendam</u>	<u>Infanta</u>	<u>Suurbraak</u>	<u>Barrydale</u>
Rehabilitation Area (m ²)	15 086	49 919	3 816	4 490	9 925
Preliminary and General	827 746	2 215 610	228 274	311 770	690 070
Site Clearance and Preparation	48 426	160 240	12 249	14 413	31 859
Stormwater Control Measures	1 055 131	2 197 211	581 116	582 162	1 212 122
Capping	3 169 996	12 524 758	811 642	945 034	2 186 437
Gas Management	-	107 232	-	-	-
Leachate Management	359 803	825 595	214 766	164 486	384 459
Fencing	1 279 118	10 757	10 757	520 835	1 114 196
Other	362 283	821 172	784 872	838 114	394 182
Contingencies	674 022	1 804 140	185 881	253 870	561 914
Engineering Professional Fees	556 068	1 488 416	153 351	209 443	463 579
Site Supervision	275 028	562 393	154 057	146 716	196 874

The municipality has a legal obligation to rehabilitate landfill sites at the end of the expected useful life. The estimated future cost of decommission is calculated at an inflation rate of 4,5% as follows:

		2020	2019
Location	<u>Estimated decommission date</u>	<u>Estimated Cost</u>	<u>Estimated Cost</u>
		R	R
Malagas	2021	8 994 964	9 269 185
Swellendam	2025	28 310 169	23 095 159
Infanta	2032	5 319 921	10 030 578
Suurbraak	2021	4 166 252	3 578 963
Barrydale	2021	7 561 300	7 320 136
		54 352 605	53 294 019

Provision has been made at net present value using the Government Bond rate as discount rate.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15. NON-CURRENT EMPLOYEE BENEFITS	2020 R	2019 R
Provision for Post Retirement Health Care Benefits	23 700 000	25 251 069
Provision for Long Service Awards	6 192 000	5 399 612
Total Non-current Employee Benefits	29 892 000	30 650 681
	2020 R	2019 R
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	26 125 164	31 211 814
Contribution for the year	3 810 677	4 593 229
Expenditure for the year	(816 879)	(761 142)
Actuarial gain	(4 458 961)	(8 918 739)
Total provision 30 June	24 660 000	26 125 164
Less: Transfer of Current Portion to Current Provisions - Note 18	(960 000)	(874 095)
Balance 30 June	23 700 000	25 251 069
	2020 R	2019 R
<u>Long Service Awards</u>		
Balance 1 July	5 920 503	4 160 367
Contribution for the year	947 873	673 753
Expenditure for the year	(336 019)	(399 089)
Actuarial loss	167 643	1 485 472
Total provision 30 June	6 700 000	5 920 503
Less: Transfer of Current Portion to Current Provisions - Note 18	(508 000)	(520 891)
Balance 30 June	6 192 000	5 399 612
	2020 R	2019 R
15.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, with the following members:		
In-service (employee) members	195	189
In-service (employee) non-members	50	51
Continuation members (e.g. Retirees, widows, orphans)	19	18
Total Members	264	258
	2020 R	2019 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	13 206 000	14 250 442
In-service non-members	1 391 000	1 509 643
Continuation members	10 063 000	10 365 078
Total Liability	24 660 000	26 125 163

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The liability in respect of periods prior to the comparative year has been estimated as follows:

	2018	2017	2016
	R	R	R
In-service members	19 302 079	17 677 645	17 559 467
In-service non-members	2 967 357	3 357 770	3 324 146
Continuation members	8 942 378	9 556 718	8 809 257
Total Liability	31 211 814	30 592 133	29 692 870

The municipality makes monthly contributions for Health Care to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The current service cost and interest cost for the following year are estimated to be R1 384 789 and R2 425 888 respectively.

Key actuarial assumptions used:	2020	2019
	%	%
i) Rate of interest		
Discount rate	10,48%	9,44%
Health Care Cost Inflation Rate	6,53%	6,90%
Net Effective Discount Rate	3,71%	2,38%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 62 years for males and 59 years for females.

	2020	2019
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	24 660 000	26 125 164
Net liability	24 660 000	26 125 164

	2020	2019
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26 125 163	31 211 814
Total expenses	2 993 798	3 832 087
Current service cost	1 384 789	1 616 607
Interest cost	2 425 888	2 976 622
Benefits paid	(816 879)	(761 142)
Actuarial (gains)/losses	(4 458 961)	(8 918 739)
Present value of fund obligation at the end of the year	24 660 000	26 125 163

Sensitivity Analysis on the Accrued Liability on 30 June 2019

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	14,597	10,063	24,660

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	17,687	10,955	28,642	16,00%
Health care inflation	-1%	12,151	9,280	21,431	-13,00%
Discount rate	1%	12,248	9,313	21,561	-13,00%
Discount rate	-1%	17,595	10,929	28,524	16,00%
Mortality	1 year	14,234	9,719	23,953	-3,00%
Mortality	-1 year	14,956	10,407	25,363	3,00%
Average retirement age	-1 year	15,974	10,063	26,037	6,00%
Continuation of membership at retirement	-10%	12,036	10,063	22,099	-10,00%

	2020 Rm	2019 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	1,308	-0,874

The liability in respect of periods prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	-0,701	1,427	-1,649

15.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year-end 253 employees were eligible for Long Service Bonuses.

The current service cost for the year is estimated to be R487 864, whereas the cost for the following year is estimated to be R527 000.

Key actuarial assumptions used:	2020 %	2019 %
i) Rate of interest		
Discount rate	7,25%	8,12%
General Salary Inflation (long-term)	3,92%	5,53%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3,20%	2,45%
	2020 R	2019 R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<u>6 700 000</u>	<u>5 920 503</u>
Net liability/(asset)	<u>6 700 000</u>	<u>5 920 503</u>

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 920 503	4 160 367
Total expenses	611 854	274 664
Current service cost	487 864	339 699
Interest cost	460 009	334 054
Benefits paid	(336 019)	(399 089)
Actuarial (gains)/losses	167 643	1 485 472
Present value of fund obligation at the end of the year	6 700 000	5 920 503

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	Change	Service cost	Interest cost	Total	% change
Assumption					
Central assumptions		487 900	460 000	947 900	
General salary inflation	1%	528 200	490 300	1 018 500	7,00%
General salary inflation	-1%	451 900	432 400	884 300	-7,00%
Discount rate	1%	454 600	484 100	938 700	-1,00%
Discount rate	-1%	525 600	431 800	957 400	1,00%
Average retirement age	-2 yrs	433 500	399 100	832 600	13,00%
Average retirement age	2 yrs	544 700	526 500	1 071 200	-12,00%
Withdrawal rates	x 0.5	586 200	522 300	1 108 500	17,00%
				2020	2019
				R	R

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	431 643	397 229
----------------------------	---------	---------

The liability in respect of periods prior to the comparative year has been estimated as follows:

	2018	2017	2016
	R	R	R
Liabilities: (Gain) / loss	123 313	233 573	181 212

15.3 Retirement funds

The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator advised that the pensioner data is confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**2020
R** **2019
R**

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members is (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance

7 826 487 **7 171 717**

**2020
R** **2019
R**

DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

2 103 259 **1 982 130**

**2020
R** **2019
R**
Restated

16. CONSUMER DEPOSITS

Water & Electricity
Other

732 182 637 341
2 022 558 1 876 624

Total Consumer Deposits

2 754 741 **2 513 965**

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Incorrect allocations were made between the Consumer Deposits items during the previous year. The Consumer Deposits is now corrected with no effect on the total amount of Consumer Deposits.

**2020
R** **2019
R**

17. PROVISIONS

Current Portion of Rehabilitation of Landfill Sites - Note 14

- -

Total Provisions

- **-**

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
18. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	880 582	843 040
Staff Bonuses	2 213 630	2 013 313
Staff Leave	8 174 354	6 423 221
Current Portion of Non-Current Provisions	1 468 000	1 394 986
Current Portion of Post Retirement Benefits - Note 15	960 000	874 095
Current Portion of Long-Service Provisions - Note 15	508 000	520 891
Total Provisions	12 736 567	10 674 559

The movement in current provisions are reconciled as follows:

	2020	2019
	R	R
18.1 <u>Performance Bonuses</u>		
Balance at beginning of year	843 040	793 463
Contribution to current portion	37 542	49 577
Expenditure Incurred	-	-
Balance at end of year	880 582	843 040

Performance bonuses are payable to the Municipal Manager and Directors after a performance evaluation.

	2020	2019
	R	R
18.2 <u>Staff Bonuses</u>		
Balance at beginning of year	2 013 313	1 860 798
Contribution to current portion	4 887 625	3 850 360
Expenditure incurred	(4 687 307)	(3 697 846)
Balance at end of year	2 213 630	2 013 313

Bonuses are payable to municipal staff, excluding section 57 employees. The balance at year-end represent the portion of the bonus that have already vested for the current salary cycle.

	2020	2019
	R	R
18.3 <u>Staff Leave</u>		
Balance at beginning of year	6 423 221	5 722 745
Contribution to current portion	1 827 967	846 514
Expenditure Incurred	(76 833)	(146 039)
Balance at end of year	8 174 354	6 423 221

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19.	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2020 R	2019 R
	Trade Payables	25 596 517	20 470 966
	Accrued Interest	577 034	641 231
	Advance Payments	1 681 890	1 736 031
	Pre-Paid Electricity	667 935	555 797
	Other Payables	73 966	3 302
	Retentions	270 088	940 874
	Total Trade Payables	28 867 431	24 348 200

Payables are recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

20.	UNSPENT TRANSFERS AND SUBSIDIES	2020 R	2019 R
	Unspent Transfers and Subsidies	13 863 146	7 115 532
	National Government Grants	2 717 181	79 410
	Provincial Government Grants	11 061 292	6 951 449
	District Municipality	-	-
	Other Sources	84 673	84 673
	Less: Unpaid Transfers and Subsidies	-	-
	National Government Grants	-	-
	Provincial Government Grants	-	-
	District Municipality	-	-
	Other Sources	-	-
	Total Unspent Transfers and Subsidies	13 863 146	7 115 532

See appendix "D" for a reconciliation of grants from other spheres of government. The unspent grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work-in-progress on the relevant financial year-ends.

21.	TAXES	2020 R	2019 R Restated
21.1	VAT Payable		
	VAT Output in Suspense	(3 378 693)	(1 664 832)
	Less: Contribution to Provision for Doubtful Debt Impairment	-	-
	Total VAT Payable	(3 378 693)	(1 664 832)
21.2	VAT Receivable		
	VAT Input in Suspense	4 567 661	4 244 472
	Total VAT Receivable	4 567 661	4 244 472

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21.3 Net VAT (Payable)/Receivable	1 188 968	2 579 641

VAT is payable on the receipts basis. VAT is paid over to SARS after payments received from debtors.

	2020 R	2019 R
22. NET ASSET RESERVES		
RESERVES	12 000 000	11 394 862
Capital Replacement Reserve	12 000 000	11 000 000
Housing Development Fund	-	394 862
Total Net Asset Reserve and Liabilities	12 000 000	11 394 862

22.1 The Capital Replacement Reserve is used to finance future capital expenditure.

22.2 The Housing Development Fund was established in terms of section 15(5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

	2020 R	2019 R Restated
23. PROPERTY TAXES		
<u>Actual</u>		
Rateable Land and Buildings	43 488 168	41 178 596
Business and Commercial Property	4 594 998	4 328 331
Industrial Property	1 119 494	1 160 688
Residential Properties	27 992 398	26 479 824
State-owned Properties	1 975 848	1 862 463
Agricultural Property	7 726 051	7 292 770
Other Categories	79 380	54 520
<u>Less: Rebates</u>	<u>(3 630 022)</u>	<u>(3 686 445)</u>
Total Property Rates	39 858 145	37 492 151

Incorrect allocations were made between the revenue items during the previous year. The revenue is now corrected with no effect on the total amount received as Property taxes.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>Valuations</u>		
Residential Properties	2 120 644 000	2 113 788 000
Industrial Properties	132 789 000	133 489 000
Business and Commercial Properties	556 470 002	557 380 000
Farm Agricultural Purposes	3 695 662 500	3 707 843 500
Government Properties	78 989 000	83 539 000
Municipal Properties	156 467 651	147 608 550
Private Open Space	67 100	67 100
Private Road	40 100	38 100
Public Road	3 000	3 000
Properties owned by an organ of state and used for Public Service Purpose (PSP)	166 510 000	166 510 000
Protected Areas	5 700 000	5 700 000
Public Service Infrastructure Properties (PSI)	4 385 300	4 367 400
Public Worship	60 230 000	60 230 000
Property Owned by Public Benefit Organisations used for specified public benefit activities (PBO)	40 713 000	38 613 000
Property used for Multiple Purpose	158 960 000	159 461 000
Vacant Land	163 315 500	169 928 000
Vacant Land Res - 30% discount	1 038 405 000	1 036 365 000
Vacant Land - 30% discount	111 620 000	112 660 000
Total Valuations	8 490 971 153	8 497 590 650

Assessment Rates are levied on the value of land and Improvements, of which the valuation is performed every 5 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base, due mostly to private development.

Basic Rate

Residential	0.842c/R	0.791c/R
Commercial and Businesses	0.845c/R	0.794c/R
Industrial	0.845c/R	0.794c/R
Agriculture	0.210c/R	0.198c/R
Government	0.845c/R	0.794c/R

Rates are levied annually and monthly. Monthly rates are payable by the 28th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding amounts.

Rebates can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24. GOVERNMENT GRANTS AND SUBSIDIES

	2020 R	2019 R
Government Grants and Subsidies-Operating	42 232 761	39 859 323
Expanded Public Works Programme	1 604 000	1 266 000
Equitable Share	31 579 000	29 001 000
Local Government Financial Management Grant	1 770 000	1 770 000
Western Cape Financial Management Support Grant	330 000	301 133
Human Settlements Development Grant	63 700	1 621 966
Financial Assistance to municipalities for maintenance and construction of Transport Infrastructure	39 901	46 268
Municipal Infrastructure Grant	596 850	649 695
Library Service Replacement Funding for most vulnerable B3 municipalities	5 114 261	4 951 413
Thusong Service Centre Grant	11 019	28 573
Local Government Internship Grant	66 952	5 882
Western Cape Financial Management Capacity Building Grant	210 000	-
Municipal Electrical Master Plan Grant	207 000	-
Local Government Support Grant	299 820	-
Resources for Cycle Infrastructure Project	100 000	-
SETA	165 332	217 394
Municipal Disaster Relief Grant	74 925	-
Government Grants and Subsidies-Capital	25 232 225	13 349 628
Municipal Service Delivery and Capacity Building Grant	377 392	290 456
Integrated National Electrification Programme (Municipal) Grant	2 998 648	1 944 734
Municipal Infrastructure Grant	8 840 656	11 114 438
Municipal Disaster Relief Grant	66 740	-
Human Settlements Development Grant	12 833 299	-
Development of Sport and Recreation Facilities	115 490	-
Total Government Grants and Subsidies	67 464 986	53 208 951

	2020 R	2019 R
Included in above are the following grants and subsidies received:		
Unconditional	31 579 000	29 001 000
Equitable Share	31 579 000	29 001 000
Conditional	35 885 986	24 207 951
Grants and donations	35 885 986	24 207 951
Total Government Grants and Subsidies	67 464 986	53 208 951

	2020 R	2019 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	31 579 000	29 001 000
Community Services	18 137 770	6 601 951
Corporate Services	165 332	217 394
Engineers Service	14 664 448	15 311 591
Finance Service	2 100 000	2 071 133
Municipal Manager	818 437	5 882
Total Government Grants and Subsidies	67 464 986	53 208 951

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

SWELLEN DAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
24.1 <u>Equitable Share</u>		
Opening balance	-	-
Grants received	31 579 000	29 001 000
Expenditure - Operating	(31 579 000)	(29 001 000)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.

	2020	2019
	R	R
24.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Grants received	1 770 000	1 770 000
Conditions met - Operating	(1 770 000)	(1 770 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Local Government Financial Management Grant is paid by National Treasury to municipalities to implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003.

	2020	2019
	R	R
24.3 <u>Expanded Public Works Programme (EPWP)</u>		
Opening balance	-	-
Grants received	1 604 000	1 266 000
Conditions met - Operating	(1 604 000)	(1 266 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Expanded Public Works Programme (EPWP) was used for job creation projects.

	2020	2019
	R	R
24.4 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	23 778	1 911
Grants received	11 937 000	11 786 000
Repaid to National Revenue Fund	(23 778)	-
Conditions met - Operating	(596 850)	(649 695)
Conditions met - Capital	(8 840 656)	(11 114 438)
Conditions still to be met	2 499 494	23 778

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

	2020	2019
	R	R
24.5 <u>Integrated National Electrification Programme (Municipal) Grant</u>		
Opening balance	55 632	366
Grants received	3 000 000	2 000 000
Repaid to National Revenue Fund	(55 632)	-
Conditions met - Operating	-	-
Conditions met - Capital	(2 998 648)	(1 944 734)
Conditions still to be met	1 352	55 632

The Integrated National Electrification Programme (Municipal) Grant was used for electrical connections in previously disadvantaged areas.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
24.6 <u>Human Settlements Development Grant</u>		
Opening balance	5 763 915	4 923 509
Grants received	11 862 949	2 462 372
Conditions met - Operating	(63 700)	(1 621 966)
Conditions met - Capital	(12 833 299)	-
Conditions still to be met	4 729 865	5 763 915

The Human Settlements Development Grant was utilised for the development of erven and the erection of top structures.

	2020	2019
	R	R
24.7 <u>Library Service Replacement Funding for most vulnerable B3 municipalities</u>		
Opening balance	126 626	52 039
Grants received	5 443 000	5 026 000
Conditions met - Operating	(5 114 261)	(4 951 413)
Conditions met - Capital	-	-
Conditions still to be met	455 365	126 626

The Library Service Replacement Funding for most vulnerable B3 municipalities received from Provincial Government was used for the unfunded mandate of libraries.

	2020	2019
	R	R
24.8 <u>Municipal Disaster Relief Grant</u>		
Opening balance	-	-
Grants received	358 000	-
Conditions met - Operating	(74 925)	-
Conditions met - Capital	(66 740)	-
Conditions still to be met	216 335	-

The Municipal Disaster Relief Grant was received from National Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.

	2020	2019
	R	R
24.9 <u>Local Government Support Grant</u>		
Opening balance	-	-
Grants received	500 000	-
Conditions met - Operating	(299 820)	-
Conditions met - Capital	-	-
Conditions still to be met	200 180	-

The Local Government Support Grant was received from the Western Cape Provincial Government, exclusively to fund COVID-19 expenses the municipality has occurred in an effort to manage and support the National Disaster measurements instituted by the Government.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
24.10 Other Grants		
Opening balance	1 145 581	303 793
Grants received	6 406 917	1 741 289
Repaid to Provincial Revenue Fund	(168 857)	(9 795)
Conditions met - Operating	(1 130 204)	(599 250)
Conditions met - Capital	(492 882)	(290 456)
Conditions still to be met	5 760 555	1 145 581
	2020	2019
	R	R
24.11 Total Grants		
Opening balance	7 115 532	5 281 618
Grants received	74 460 866	55 052 661
Repaid to National Revenue Fund	(248 267)	(9 795)
Conditions met - Operating	(42 232 760)	(39 859 324)
Conditions met - Capital	(25 232 225)	(13 349 628)
Conditions still to be met/(Grant expenditure to be recovered)	13 863 146	7 115 532
	2020	2019
	R	R
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	13 863 146	7 115 532
Unpaid Conditional Government Grants and Receipts	-	-
Total	13 863 146	7 115 532
	2020	2019
	R	R
25. CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
Private sector	-	953
Government	27 376 977	-
Total Contributed Property, Plant and Equipment	27 376 977	953
The Department of Rural Developmental and Land Reform, has upgraded the Suurbraak Waste Water Treatment works, amounting to R27 297 503 and the National Department of Water, Sanitation and Human Settlements has donated water tanks amounting to R79 474.		
	2020	2019
	R	R
26. LICENCES AND PERMITS		Restated
Drivers Licence Application	471 110	479 090
Drivers Licence Certificate	358 193	415 536
Instructor Certificate	-	1 386
Learner Licence Application	55 964	70 924
Learners Certificate	20 109	24 453
Motor Vehicle Licence	284 660	343 541
Operators and Public Drivers Permits	50 320	90 035
Trading	29 372	26 010
Total Licences and Permits	1 269 728	1 450 975

Incorrect allocations were made between the revenue items during the previous year. The revenue is now corrected with no effect on the total amount received as Licences and Permits.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	-	"
Revenue from Exchange Transactions	1 269 728	1 450 975
Total Licences and Permits	1 269 728	1 450 975
	2020 R	2019 R Restated
27. SERVICE CHARGES		
Electricity	80 995 045	73 000 781
Service Charges	80 995 045	73 000 631
Less: Revenue Forgone	-	150
Water	16 854 105	15 180 260
Service Charges	19 525 448	17 467 048
Less: Revenue Forgone	(2 671 343)	(2 286 787)
Refuse Removal	9 477 653	8 513 993
Service Charges	12 625 519	11 366 487
Less: Revenue Forgone	(3 147 865)	(2 852 494)
Sewerage and Sanitation Charges	16 778 491	13 506 453
Service Charges	21 757 199	18 243 338
Less: Revenue Forgone	(4 978 708)	(4 736 886)
Total Service Charges	124 105 294	110 201 486

See prior year reclassification note 45.1 (iii).

Revenue Forgone can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates.

	2020 R	2019 R Restated
28. AVAILABILITY CHARGES		
Electricity	1 062 878	1 168 957
Water	918 167	914 846
Sewerage and Sanitation Charges	878 217	828 645
	2 859 262	2 912 448

See prior year reclassification note 45.1 (iii).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R Restated
29. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	17 712	10 148
Building Plan Approval	631 295	837 712
Camping Fees	894 687	900 588
Cemetery and Burial	49 165	63 585
Development Charges	111 943	86 249
Encroachment Fees	860	877
Exempted Parking	420	600
Legal Fees	298 707	344 950
Photocopies and Faxes	17 349	35 867
Removal of Restrictions	354 467	339 981
Sale of Goods	120 021	53 731
Valuation Services	162 333	164 075
Total Sales of Goods and Rendering of Services	2 658 949	2 838 363
	2020 R	2019 R Restated
30. RENTAL FROM FIXED ASSETS		
Heritage Assets	2 400	2 400
Investment Property	722 403	755 286
Property, Plant and Equipment	-	-
Total Rental from Fixed Assets	724 803	757 686
See prior year correction of errors - note 45.2.1 (iii).		
	2020 R	2019 R
31. INTEREST EARNED - EXTERNAL INVESTMENTS		
Financial assets	5 239 528	5 032 794
Other	-	-
Total Interest Earned - External Investments	5 239 528	5 032 794
	2020 R	2019 R
32. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	1 065 105	832 814
Total Interest Earned - Outstanding Receivables	1 065 105	832 814
	2020 R	2019 R
33. OPERATIONAL REVENUE		
Breakages and Losses Recovered	1 286	3 015
Commission	43 618	37 298
Discounts and Early Settlements	36	11
Incidental Cash Surpluses	4 476	19 975
Merchandising, Jobbing and Contracts	101 734	123 202
Staff Recoveries	17 543	31 711
Sale of Property	18 034	18 034
Total Operational Revenue	186 727	233 247

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
		Restated
34. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	60 766 570	55 071 740
Pension and UIF Contributions	10 098 571	9 249 744
Medical Aid Contributions	5 577 185	4 997 935
Overtime	4 722 474	3 838 786
Bonuses	4 925 166	4 604 998
Motor Vehicle Allowance	5 191 976	4 834 312
Cell Phone Allowance	350 300	309 900
Housing Allowances	468 076	457 244
Other benefits and allowances	3 305 148	3 555 832
Payments in lieu of leave	1 827 967	848 514
Contribution to provision - Long Service Awards	1 115 516	2 159 225
Current Service Cost	487 864	339 699
Interest Cost	460 009	334 054
Actuarial Gains and Losses	167 643	1 485 472
Contribution to provision - Post Retirement Medical	(648 284)	(4 325 510)
Current Service Cost	1 384 789	1 616 607
Interest Cost	2 425 888	2 976 622
Actuarial Gains and Losses	(4 458 961)	(8 918 739)
Total Employee Related Costs	97 690 665	85 600 721

See prior year reclassification note 45.1 (ii).

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on fixed-term contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2020	2019
	R	R
Remuneration of the Municipal Manager - Mr A.M. Groenewald		
Annual Remuneration	1 212 519	1 178 464
Rural Allowance	50 683	49 302
Performance Bonus	135 581	109 145
Car Allowance	36 000	36 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	20 672	20 216
Cell phone allowance	14 400	14 400
Total	1 469 855	1 407 526
	2020	2019
	R	R
Remuneration of Director: Engineering Services - Mr F.P. Erasmus		
Annual Remuneration	770 148	746 436
Performance Bonus	91 079	134 420
Travelling Allowance	120 000	120 000
Rural allowance	83 226	80 959
Contributions to UIF, Medical, Pension Funds and Bargaining Council	152 304	147 680
Cell phone allowance	12 000	12 000
Total	1 228 757	1 241 496

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
Remuneration of Director: Community Services - Mr K.D. Stuurman		
Annual Remuneration	825 864	800 028
Performance Bonus	55 130	146 454
Travelling Allowance	100 104	100 104
Rural allowance	113 346	101 322
Contributions to UIF, Medical, Pension Funds and Bargaining Council	209 621	204 583
Cell phone allowance	12 000	12 000
Total	1 316 065	1 364 491

	2020	2019
	R	R
Remuneration of Director: Financial Services - Mr H. Schlebusch		
Annual Remuneration	1 010 449	945 810
Performance Bonus	168 548	157 521
Car Allowance	58 988	58 988
Contributions to UIF, Medical, Pension Funds and Bargaining Council	241 653	225 794
Cell phone allowance	12 000	12 000
Total	1 491 638	1 400 113

	2020	2019
	R	R
Remuneration of Director: Corporate Services - Mr D. du Plessis		
Annual Remuneration	1 047 692	982 208
Performance bonus	168 548	167 521
Car Allowance	48 000	48 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	188 599	175 830
Cell phone allowance	12 000	12 000
Total	1 464 839	1 375 558

35. REMUNERATION OF COUNCILLORS

	2020	2019
	R	R
Cllr E.J. Lamprecht	654 706	631 233
Cllr J.C. Nortje (period 01 July 2018 to 6 May 2019)	-	244 028
Cllr G. Mangcu-Qotylwe (from 22 August 2019)	256 443	-
Cllr M.G. du Plessis	299 491	289 680
Cllr H.F. du Rand	654 706	631 233
Cllr G. Lebazi	299 491	289 680
Cllr J.A. Matthysen	299 491	289 680
Cllr N.G. Myburgh	850 466	819 463
Cllr A.M. Pokwas	689 253	664 451
Cllr B.O. Sonqwenqwe	689 253	664 451
Cllr M.J. Koch	299 491	289 680
Cllr M.T. Swart	299 491	289 680
Total Councillors' Remuneration	5 292 281	5 103 259

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	809 666	-	40 800	-	850 466
Executive Deputy-Mayor	564 342	-	40 800	84 111	689 253
Speaker	497 142	60 000	40 800	91 311	689 253
Executive Committee Members	1 120 327	24 000	81 600	83 484	1 309 412
Councillors	1 174 741	223 198	238 000	117 958	1 753 897
Total Councillors' Remuneration	4 166 218	307 198	442 000	376 865	5 292 281

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the municipality.

	2020 R	2019 R Restated
36. CONTRACTED SERVICES		
Outsourced Services	5 165 997	5 759 054
Consultants and Professional Services	3 635 490	3 550 444
Contractors	7 163 917	8 224 943
Total Contracted Services	15 965 403	17 534 441

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
The contracted services paid are for the following services:		Restated
Accounting and Auditing	1 905 804	1 830 678
Allen Vegetation Control	367 296	44 911
Bullding	61 690	664 667
Burial Services	2 500	-
Business and Financial Management	-	261 854
Business and Advisory	466 957	-
Catering Services	4 203	-
Cleaning Services	-	11 549
Commissions and Committees	96 692	79 612
Connection/Dis-connection	3 170	34 220
Credit rating agencies	-	2 500
Drivers licence cards	-	3 960
Electrical	-	22 284
Event Promoters	-	1 626
Exhibit Installations	-	7 203
Forensic Investigators	-	302 736
Geoinformatic Services	319 997	133 793
Graphics designers	-	770
Human Resources	15 850	13 157
Infrastructure and Planning	-	89 692
Laboratory Services	375 892	452 600
Legal Cost	647 506	677 445
Maintenance of Buildings and F	2 356 312	2 307 007
Maintenance of Equipment	58 687	97 211
Maintenance of Unspecified Ass	3 290 876	3 408 006
Meter Management	156 000	-
Mini Dumping Sites	891 145	560 524
Occupational Health and Safety	22 137	33 243
Pest Control and Fumigation	7 421	26 132
Plants, Flowers and Other Deco	-	714
Project Management	153 284	268 740
Research and Advisory	140 763	2 617
Security Services	1 252 704	1 086 621
Town Planner	360 467	27 000
Tracing Agents and Debt Collec	1 386 328	1 689 325
Traffic Fines Management	1 466 658	2 957 367
Valuer	74 492	347 776
Valuer and Assessors	80 572	86 903
Total Contracted Services	15 965 403	17 534 441

See prior year reclassification note 45.1 (i).

See prior year reclassification note 45.1 (ii).

COVID-19 expenses funded by the municipality is included under Pest Control and Fumigation.

	2020	2019
	R	R
		Restated
37. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	9 982 730	9 688 928
Intangible Assets	79 886	71 367
Investment Property	87 772	86 733
Total Depreciation and Amortisation	10 150 390	9 847 028

See prior year correction of errors notes 45.2.1.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
38. FINANCE COSTS		
Long-term Borrowings	3 297 052	3 536 509
Non-current Provisions	1 570 160	2 264 981
Total Finance Costs	4 867 212	5 801 489
	2020	2019
	R	R
39. BULK PURCHASES		
Electricity	64 599 689	55 675 625
Water	-	-
Total Bulk Purchases	64 599 689	55 675 625
	2020	2019
	R	R
40. TRANSFERS AND SUBSIDIES		Restated
Capital	-	-
Allocations In-kind	-	-
Monetary Allocations	-	-
Operational	846 834	1 699 908
Allocations In-kind	-	-
Monetary Allocations	846 834	1 699 908
Households	570 634	-
Third party- Institutions	276 200	1 699 908
Total Transfers and Subsidies	846 834	1 699 908

Incorrect allocations were made between the expenditure items during the previous year. The expenditure is now corrected with no effect on the total amount of Transfers and subsidies.

COVID-19 expenses funded by the municipality is included under Households.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R Restated
41. OPERATIONAL COST		
Advertising, Publicity and Marketing	218 540	221 705
Bank Charges, Facility and Card Fees	1 026 766	1 025 631
Cleaning Services	81 330	91 609
Commission	1 997 903	1 691 426
Communication	1 500 631	1 701 370
Entertainment	48 594	176 338
External Audit Fees	2 269 366	2 269 201
External Computer Service	2 712 462	2 448 937
Full Time Union Representative	71 695	67 190
Hire Charges	663 661	661 896
Indigent Relief	50 000	70 000
Insurance Underwriting	888 570	710 153
Levies Paid - Water Resource Management Charges	179 775	158 558
Licences	410 893	235 815
Management Fee	825 161	94 127
Printing, Publications and Books	256 995	451 351
Registration Fees	1 409 644	1 201 934
Remuneration to Ward Committees	17 100	39 779
Road Worthy Test	4 488	204 627
Servitudes and Land Surveys	-	7 622
Skills Development Fund Levy	801 533	891 036
Signage	29 474	-
System Access and Information	51 131	-
Travel and Subsistence	265 406	712 703
Uniform and Protective Clothing	328 596	60 865
Vehicle Tracking	209 712	169 715
Wet Fuel	2 751 302	2 916 613
Workmen's Compensation Fund	506 577	424 105
Total Operational Costs	19 577 305	18 694 307
See prior year reclassification note 45.1 (ii)		
42. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions	1 552 943	1 092 247
Receivables from Non-exchange Revenue	26 964 203	27 636 011
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	28 517 145	28 728 258
43. (GAINS/LOSS) ON SALE OF FIXED ASSETS AND INVENTORY		
Heritage Assets	-	-
Intangible Assets	-	13 552
Investment Property	(16 218)	(267 738)
Property, Plant and Equipment	2 659 204	216 843
Inventory	-	18 213
Total Gains/ (Loss) on Sale of Fixed Assets	2 642 986	(19 130)

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
44. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FIXED ASSETS		
Investment Property	-	(204 977)
Property, Plant and Equipment	(123 860)	6 162 264
Other	-	58 815
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	(123 860)	6 016 102

45 CORRECTION OF ERRORS AND RECLASSIFICATIONS

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from prior period errors.

45.1 RECLASSIFICATION OF PRIOR PERIOD ERRORS CORRECTED

	Balance previously reported	Adjustments	Reclassified Balance
Statement of Financial Position			
Accumulated Surplus/(Deficit)	(276 289 965)	-	(276 289 966)
Capital Replacement Reserve	(11 000 000)	-	(11 000 000)
Cash and Cash Equivalents	74 945 161	-	74 945 161
Consumer Deposits	(2 513 965)	-	(2 513 965)
Current Employee Benefits	(10 674 559)	-	(10 674 559)
Employee Benefits	(30 650 680)	-	(30 650 680)
Heritage Assets	170 979	-	170 979
Housing Development Fund	(394 862)	-	(394 862)
Intangible Assets	505 534	-	505 534
Inventory	3 558 693	(227 500)	3 331 193
Investment Property	17 189 943	(2 033 349)	15 156 594
Long-term Borrowings	(31 936 079)	-	(31 936 079)
Non-Current Provisions	(38 795 484)	-	(38 795 484)
Operating Lease Liability	(4 098)	-	(4 098)
Operating Lease Asset	30 304	-	30 304
Property, Plant and Equipment	314 009 044	2 260 849	316 269 893
Receivables from exchange transactions	9 112 518	-	9 112 518
Receivables from non-exchange transactions	11 621 607	-	11 621 607
Taxes	2 579 641	-	2 579 641
Trade and Other Payables from exchange transactions	(24 348 200)	-	(24 348 200)
Unspent Transfers and Subsidies	(7 115 532)	-	(7 115 532)
	<u>0</u>	<u>-</u>	<u>(0)</u>

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Balance previously reported	Adjustments	Reclassified Balance
Statement of Financial Performance			
Bulk Purchases	55 675 625	-	55 675 625
Availability Charges	-	(2 912 448)	(2 912 448)
Contracted Services	13 206 822	5 281 034	18 487 856
Depreciation and Amortisation	9 801 302		9 801 302
Employee related costs	85 603 555	(2 834)	85 600 721
Inventory Consumed	20 474 171	(11 910 887)	8 563 284
Operating Leases	132 005	745 581	877 586
Remuneration of Councillors	5 103 259		5 103 259
Transfers and Subsidies	1 699 908		1 699 908
Operational Cost	12 807 201	5 887 106	18 694 307
Bad Debts Written Off	900 987	-	900 987
Finance Costs	5 801 489	-	5 801 489
Reversal of Impairment Loss/(Impairment Loss) on Receivables	28 728 258	-	28 728 258
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	5 701 436	-	5 701 436
Agency Services	(2 102 191)	-	(2 102 191)
Contributed Property, Plant and Equipment	(953)	-	(953)
Fines, Penalties and Forfeits	(42 355 508)		(42 355 508)
Interest Earned - external investments	(5 032 794)	-	(5 032 794)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	1 776	-	1 776
Licences and Permits	(1 450 975)	-	(1 450 975)
Operational Revenue	(233 247)	-	(233 247)
Property Taxes	(37 492 151)	-	(37 492 151)
Rental from Fixed Assets	(742 100)	-	(742 100)
Service Charges	(113 113 934)	2 912 448	(110 201 486)
Government Grants and Subsidies-Capital	(13 349 628)	-	(13 349 628)
Government Grants and Subsidies-Operating	(39 859 323)	-	(39 859 323)
Sales of Goods and Rendering of Services	(2 838 363)		(2 838 363)
(Gains/Loss) on Sale of Fixed Assets and Inventory	(19 130)	-	(19 130)
Interest Earned - Exchange Transactions	(832 814)	-	(832 814)
Interest Earned - Non-exchange Transactions	(158 273)	-	(158 273)
Net Surplus/(Deficit) for the year	(13 943 589)	-	(13 943 589)

- (i) Contracted Services amounting to R5 295 731,01, Operational cost amounting to R2 970 492,38 and Operating leases amounting to R745 580,87 was incorrectly included in Inventory Consumed to the amount of R9 011 804,71. This was corrected.
- (ii) Wet Fuel, amounting to R2 916 613,43, was incorrectly included as Inventory Consumed R2 899 082,38, Contracted Services R14 697,39 and Employee Cost R2 833,66. This was corrected to be Operational Cost.
- (iii) Availability charges amounting to R2 912 448, was previously included in Service Charges. Availability Charges are however not classified as an Exchange transaction but rather a Non-exchange transaction. This was corrected and disclosed as Non-exchange Revenue - Other Revenue.
- (iv) In accordance of IGRAP 18, assets were incorrectly classified. Assets were reclassified as follows:
 (Dt) Property, Plant and Equipment - Community Assets R1 694 540,64, (Dt) Property, Plant and Equipment - Other Assets R566 308,42,
 (Ct) Inventory R227 500,00, (Ct) Investment Property R2 033 349,06.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2019 R	2018 R
45.2 CORRECTION OF ACCUMULATED SURPLUS ERRORS		
45.2.1 Accumulated Surplus		
Balance previously reported	276 289 965	261 632 205
Correction of Current Assets - Operating Leases - (see note 45.2.1 (iii))	37 044	-
Correction of Non Current Assets - Operating Leases - (see note 45.2.1 (iii))	(21 458)	-
Correction of Inventory - (see note 45.2.1 (iv))	73 424	73 423
Correction of Property Plant and Equipment - (see note 45.2.1 (v))	260 000	260 000
Correction of Property Plant and Equipment - (see note 45.2.1 (v))	(50 230)	(25 081)
Correction of Property Plant and Equipment - (see note 45.2.1 (vi))	(41 214)	(41 214)
Correction of Property Plant and Equipment - (see note 45.2.1 (vi))	25 864	18 297
Correction of Property Plant and Equipment - (see note 45.2.1 (vii))	1 566 400	1 566 400
Correction of Property Plant and Equipment - (see note 45.2.1 (vii))	953 415	-
Correction of Property Plant and Equipment - (see note 45.2.1 (vii))	(105 308)	(71 081)
Correction of Property Plant and Equipment - (see note 45.2.1 (viii))	(287 497)	(287 497)
Correction of Property Plant and Equipment - (see note 45.2.1 (viii))	(308 847)	-
Correction of Investment Property - (see note 45.2.1 (viii))	(29 836)	(29 836)
Correction of Investment Property - (see note 45.2.1 (viii))	267	-
Correction of Inventory - (see note 45.2.1 (viii))	(10 000)	(10 000)
Correction of Property Plant and Equipment - (see note 45.2.1 (vix))	29 000	29 000
Restated Balance	278 380 983	263 114 615
 (i) With the reconciliation of the Intangible Asset register, the Cost component and the Accumulated Amortisation were overstated with R189 516,89 respectively. The net effect was zero in the disclosed balance of the asset, but incorrectly disclosed in the components. This was corrected under note 4.		
(ii) With the reconciliation of the Investment Property Asset register, the Accumulated Depreciation component and the Accumulated Impairment component were under- and overstated with R106 654,21 respectively. This was corrected under note 3.		
(iii) With the reconciliation of the Operating Lease register, where the municipality was the lessor, lease agreements applicable to the 2018/19 financial year was previously excluded in the calculation. This resulted in the Operating Lease Assets being understated at 30 June 2019, with R15 585,74. This misstatement was corrected with the following entries: (Dt) Current Assets - Operating Leases R37 043,95, (Cr) Non-Current Assets - Operating Leases R21 458,21, (Cr) Accumulated Surplus (Rental from fixed Assets) R15 585,74.		
(iv) Some water pipes were not previously recognised as stock. This was corrected at fair value with the following entries: (Dt) Inventory and (Cr) Accumulated Surplus - prior years with R73 422,97.		
(v) Recognition of assets previously not found during the annual assets count. These assets were retrospectively corrected with the following entries: (Dt) Property, Plant and Equipment (Cost) R260 000,43, (Cr) Accumulated Depreciation R50 229,93, (Cr) Accumulated Surplus prior years R260 000,43, (Dt) Accumulated Surplus - prior years R25 080,51, and (Dt) Accumulated Surplus - current year R25 149,42.		
(vi) Items with a carrying value of R15 350,44 previously capitalised were de-recognised with the following entries: (Cr) Property, Plant and Equipment - cost R41 213,98, (Dt) Accumulated Depreciation R25 863,55, (Dt) Accumulated Surplus - prior years R41 213,98, (Cr) Accumulated Surplus - prior years R18 297,04 and (Cr) Accumulated Surplus - current year R7 566,51.		
(vii) With the review of the Infrastructure Low Cost Housing assets a classification error was noted. These error was rectified in terms of GRAP 3 with the following entries: (Dt) Infrastructure Assets (Roads) - cost R351 420,73, (Dt) Infrastructure Assets (Storm Water) - cost R69 234,89, (Dt) Infrastructure Assets (Sanitation) - cost R879 075,08, (Dt) Infrastructure Assets (Water supply) - cost R266 669,30, (Cr) Infrastructure Assets (Roads) - Accumulated depreciation R29 510,95, (Cr) Infrastructure Assets (Storm Water) - Accumulated depreciation R4 257,40, (Cr) Infrastructure Assets (Sanitation) - Accumulated depreciation R33 785,12, (Cr) Infrastructure Assets (Water supply) - Accumulated depreciation R37 754,46, (Dt) Construction Work-In-progress R953 415,00, (Cr) Accumulated surplus R2 414 507,06.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(viii) With the annual review of Investment Properties errors have been found which was corrected in terms of GRAP 3 with the following entries:
(Cr) Inventory R10 000, (Cr) Investment Property - cost R32 000, (Dt) Investment Properties - Accumulated Depreciation R2 663,91, (Cr) Property, Plant and Equipment - cost R374 600,18, (Dt) Property, Plant and Equipment - Accumulated Depreciation R29 523,33, (Dt) Property, Plant and Equipment - Accumulated Impairment R67 579,55, (Dt) Accumulated Surplus - current year R327 333,39, (Dt) Investment Property - Accumulated Depreciation R266,50, (Dt) Property, Plant and Equipment - Accumulated Depreciation R5 817,88, (Cr) Property, Plant and Equipment - Accumulated Impairment R314 664,88, (Dt) Accumulated Surplus - prior years R308 580,50.

(vix) With the annual review of Property, Plant and Equipment assets, an error was found which was corrected in terms of GRAP 3 with the following entries:
(Dt) PPE - Cost R29 000, (Cr) Accumulated Surplus - prior years R29 000.

	2019 R	2018 R
45.2.2 Property, Plant and Equipment		
Balance previously reported	314 009 044	312 882 311
Cost	5 810 669	4 857 254
Correction of error - see note 45.2.1 (v)	260 000	260 000
Correction of error - see note 45.2.1 (vi)	(41 214)	(41 214)
Correction of error - see note 45.2.1 (vii)	1 566 400	1 566 400
Correction of error - see note 45.2.1 (vii)	953 415	-
Correction of error - see note 45.2.1 (vix)	(374 600)	(374 600)
Correction of error - see note 45.2.1 (viii)	29 000	29 000
Reclassification - see note 45.1 (iv)	3 417 668	3 417 668
Accumulated Depreciation	(762 143)	(101 817)
Correction of error - see note 45.2.1 (v)	(50 230)	(25 081)
Correction of error - see note 45.2.1 (vi)	25 864	18 297
Correction of error - see note 45.2.1 (vii)	(71 081)	(71 081)
Correction of error - see note 45.2.1 (vii)	(34 227)	-
Correction of error - see note 45.2.1 (viii)	29 523	29 523
Correction of error - see note 45.2.1 (viii)	5 818	-
Reclassification - see note 45.1 (iv)	(614 333)	-
Reclassification - see note 45.1 (iv)	(53 477)	(53 477)
Accumulated Impairment	(746 094)	(1 210 420)
Correction of error - see note 45.2.1 (viii)	57 580	57 580
Correction of error - see note 45.2.1 (viii)	(314 665)	-
Reclassification - see note 45.1 (iv)	778 991	-
Reclassification - see note 45.1 (iv)	(1 268 000)	(1 268 000)
Restated Balance	318 311 472	316 427 327
	2019 R	2018 R
45.2.3 Current Assets - Operating Leases		
Balance previously reported	3 373	-
Correction - see note 45.2.1 (iii).	37 044	-
Restated Balance	40 417	-
	2019 R	2018 R
45.2.4 Non Current Assets - Operating Leases		
Balance previously reported	26 931	-
Correction - see note 45.2.1 (iii).	(21 458)	-
	5 473	-

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2019	2018
	R	R
45.2.5 Inventory		
Balance previously reported	3 558 693	3 639 035
Correction - see note 45.2.1 (iv).	73 423	73 423
Correction of error - see note 45.2.1 (viii).	(10 000)	(10 000)
Reclassification - see note 45.1 (iv).	(227 500)	(227 500)
	<u>3 394 616</u>	<u>3 474 958</u>
45.2.6 Investment Property		
Balance previously reported	17 189 943	17 087 260
Cost	(3 222 668)	(3 222 668)
Correction of error - see note 45.2.1 (viii)	(32 500)	(32 500)
Reclassification - see note 45.1 (iv)	(3 190 168)	(3 190 168)
Accumulated Depreciation	61 740	56 140
Correction of error - see note 45.2.1 (viii)	2 664	2 664
Correction of error - see note 45.2.1 (viii)	267	-
Reclassification - see note 45.1 (iv)	5 333	-
Reclassification - see note 45.1 (iv)	53 477	53 476
Accumulated Impairment	1 098 009	1 268 000
Reclassification - see note 45.1 (iv)	(169 991)	-
Reclassification - see note 45.1 (iv)	1 268 000	1 268 000
	<u>15 127 024</u>	<u>15 188 732</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

45.2.7 Changes to Statement of Financial Performance

Movement on operating account as a result of prior period corrections:

	Balance previously Reclassified	Adjustments	Restated Balance
Revenue			
Property Taxes	(37 492 151)	-	(37 492 151)
Availability Charges	(2 912 448)	-	(2 912 448)
Government Grants and Subsidies-Capital	(13 349 628)	-	(13 349 628)
Government Grants and Subsidies-Operating	(39 859 323)	-	(39 859 323)
Contributed Property, Plant and Equipment	(953)	-	(953)
Fines, Penalties and Forfeits	(42 355 508)	-	(42 355 508)
Interest Earned - Non-exchange Transactions	(158 273)	-	(158 273)
Service Charges	(110 201 486)	-	(110 201 486)
Sales of Goods and Rendering of Services	(2 838 363)	-	(2 838 363)
Rental from Fixed Assets	(742 100)	(15 586)	(757 686)
Interest Earned - External Investments	(5 032 794)	-	(5 032 794)
Interest Earned - Exchange Transactions	(832 814)	-	(832 814)
Licences and Permits	(1 450 975)	-	(1 450 975)
Agency Services	(2 102 191)	-	(2 102 191)
Operational Revenue	(233 247)	-	(233 247)
Total	(259 562 254)	(15 586)	(259 577 840)
Expenditure			
Employee related costs	85 600 721	-	85 600 721
Remuneration of Councillors	5 103 259	-	5 103 259
Bad Debts Written Off	900 987	-	900 987
Contracted Services	18 487 856	(953 415)	17 534 441
Depreciation and Amortisation	9 801 302	45 726	9 847 028
Finance Costs	5 801 489	-	5 801 489
Bulk Purchases	55 675 625	-	55 675 625
Inventory Consumed	8 563 284	-	8 563 284
Operating Leases	877 586	-	877 586
Transfers and Subsidies	1 699 908	-	1 699 908
Operational Cost	18 694 307	-	18 694 307
Total	211 206 324	(907 689)	210 298 635
	Balance previously reported	Adjustments	Restated Balance
Gains and Losses			
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	1 776	-	1 776
Reversal of Impairment Loss/(Impairment Loss) on Receivables	28 728 258	-	28 728 258
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	5 701 436	314 665	6 016 101
(Gains/Loss) on Sale of Fixed Assets and Inventory	(19 130)	-	(19 130)
Total	34 412 340	314 665	34 727 004
Net Surplus/(Deficit) for the year	(13 943 589)	(608 610)	(14 552 199)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
46. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	45 949 073	14 552 199
Adjustments for:		
Depreciation and Amortisation	10 150 390	9 847 028
Loss/(Gain) on Sale of Fixed Assets	2 642 986	(19 130)
Impairment Loss/(Reversal of Impairment Loss)	28 517 145	28 728 258
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	2 962	1 776
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(123 860)	6 016 102
Contributed Property, Plant and Equipment	(27 376 977)	(953)
Government Grants and Subsidies received	74 460 866	55 052 661
Government Grants and Subsidies recognised as revenue	(67 464 985)	(53 208 951)
Government Grants and Subsidies repaid to National Treasury	(248 267)	(9 795)
Change in Provision for Rehabilitation Cost	1 570 160	2 264 981
Contribution from/to provisions - Non-Current Employee Benefits	(758 681)	(3 408 403)
Contribution from/to - Current Employee Benefits	2 062 007	984 455
Bad Debt written off	3 435 079	900 987
Operating lease income accrued	(40 417)	(8 078)
Operating lease expenses accrued	8 276	4 098
Operating Surplus/(Deficit) before changes in working capital	72 785 757	61 697 235
Changes in working capital	(28 020 216)	(32 945 471)
Increase in Trade and Other Payables	4 519 230	803 892
Decrease in Taxes Receivable	1 390 673	(956 072)
Increase in Inventory	(25 429)	(33 464)
Increase in Trade and other Receivables	(33 904 690)	(32 759 827)
Cash generated/(absorbed) by operations	44 765 540	28 751 764
	2020 R	2019 R
47. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise of the following:		
Current Accounts - Note 12	88 194 572	74 238 990
Call Deposits and Investments - Note 12	701 284	700 000
Cash Floats - Note 12	6 171	6 171
Total cash and cash equivalents	88 902 027	74 945 161
	2020 R	2019 R
48. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 47	88 902 027	74 945 161
Less:	(12 674 178)	(4 930 753)
Unspent Transfers and Subsidies - Note 20	(13 863 146)	(7 115 532)
VAT - Note 21	1 188 968	2 579 641
Cash Portion of Housing Development Fund - Note 22	-	(394 861)
Net cash resources available for internal distribution	76 227 849	70 014 408
Allocated to:		
Capital Replacement Reserve	(12 000 000)	(11 000 000)
Resources available for working capital requirements	64 227 849	59 014 408

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 13	28 452 013	31 936 079
Used to finance property, plant and equipment - at cost	(28 452 013)	(31 936 079)
	<u>-</u>	<u>-</u>
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.		
50. BUDGET INFORMATION		
50.1 Explanation of variances between approved and final budget amounts		
The reasons for the variances between the approved and final budgets are mainly due to virements, an additional allocation of Human Settlement Grant and the adjustment of priorities due to the impact of COVID-19 on various revenue and expenditure streams. The main contributor to the increase in the Capital budget is due to the approval of the Roll-over budget for the purchase of the Transnet land.		
Explanation of variances in excess of R2.6 million: Final Budget and Actual Amounts		
50.2 Statement of Financial Position		
50.2.1 Current Assets		
Cash		
Improved credit and budget control as well as Unspent Conditional Grants. Also due to EFT payments not through the bank statement on year-end.		
Other Debtors		
There was a decrease of revenue recognised related to other debtors due to the implication of the COVID-19 pandemic.		
50.2.2 Non-Current Assets		
Investment Property		
The difference is mainly due to Investment Property which was reclassified to other and community assets, due to the implementation of IGRAP 18.		
Property, Plant and Equipment		
The difference is mainly due to a Waste Water Treatment Works in Suurbraak which was funded and the construction was managed directly by the Department of Rural Development and Land Reform. Additionally infrastructure relating to Housing projects was capitalised but not budgeted for.		
50.2.3 Current Liabilities		
Trade and Other Payables		
Due to EFT payments not paid on year-end.		
50.2.4 Non-Current Liabilities		
Provisions		
Due to the outcome of the actuarial calculations the actual was less than the budget, which could not be prevented.		
50.2.5 Net Assets		
Accumulated Surplus/(Deficit)		
Due to actual surplus of R46 million in the current year.		
Statement of Financial Performance		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

50.2.6 Revenue**Transfers Recognised – Operational**

Grants as per the Provincial Gazette, but not received in full and Grants as per the Provincial Gazette received, but not spent in full. Additionally infrastructure relating to Housing projects was budgeted incorrectly as operational transfers, instead of capital transfers.

50.2.7 Expenditure**Employee related costs**

Cost containment measures on employee cost as well as due to the decrease in provisions of employee benefits.

Other Materials

The main reason for the difference is due to cost containment measures on expenditure, as well as there was a decrease of expenditure due to the implication of the COVID-19 pandemic.

Contracted Services

The main reason for the difference is due to infrastructure relating to Housing projects which was budgeted incorrectly as operational contracted services, instead of capital expenditure. Additionally there was cost containment measures on expenditure, as well as there was a decrease of expenditure due to the implication of the COVID-19 pandemic.

Other Expenditure

The main reason for the difference is due to cost containment measures on expenditure, as well as there was a decrease of expenditure due to the implication of the COVID-19 pandemic.

Loss on Disposal of PPE

The main reason for the difference is due to the fact that no budget was allocated for a loss on the disposal of PPE.

Transfers and Subsidies-Capital

Infrastructure relating to Housing projects was budgeted incorrectly as operational transfers, instead of capital transfers. Certain Grants as per the Provincial Gazette as well as the DORA which was received, but not spent in full.

Transfers and Subsidies-capital in kind

The difference is mainly due to a Waste Water Treatment Works in Suurbraak which was funded and the construction was managed directly by the Department of Rural Development and Land Reform.

Cash Flow Statement**50.2.8 Net Cash from Operating Activities****Government - Capital**

Infrastructure relating to Housing projects was budgeted incorrectly as operational transfers, instead of capital transfers. Certain Grants as per the Provincial Gazette as well as the DORA which was received, but not spent in full.

Suppliers and Employees

The main reason for the difference is due to cost containment measures on expenditure, as well as there was a decrease of expenditure due to the implication of the COVID-19 pandemic.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
51.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	-	9 984 580
Unauthorised expenditure current year - operational	-	-
Unauthorised expenditure current year - capital	9 959 400	-
Approved by Council or condoned	-	(9 984 580)
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	9 959 400	-
	2020 R	2019 R

Unauthorised expenditure can be summarised as follows:

Incident	Disciplinary steps/criminal proceedings
Low cost housing services which was budgeted for as operational instead of capital.	None
	9 959 400
	9 959 400

	2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
Unauthorised expenditure current year - operating				
MUNICIPAL MANAGER	7 303 473	9 423 286	(2 119 813)	-
FINANCE SERVICE	26 500 508	28 496 081	(1 995 573)	-
CORPORATE SERVICES	34 654 548	38 514 454	(3 859 906)	-
COMMUNITY SERVICES	69 536 442	86 339 547	(16 803 105)	-
ENGINEERS SERVICE	124 658 771	134 303 557	(9 644 786)	-
	262 653 744	297 076 925	(34 423 183)	-
	2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
Unauthorised expenditure current year - capital				
MUNICIPAL MANAGER	-	-	-	-
FINANCE SERVICE	880 571	931 560	(50 989)	-
CORPORATE SERVICES	70 570	79 910	(9 341)	-
COMMUNITY SERVICES	204 793	8 176 778	(7 971 985)	-
ENGINEERS SERVICE	27 045 165	17 085 765	9 959 400	9 959 400
	28 201 099	26 274 013	1 927 085	9 959 400
	2020 R	2020 R	2020 R	2019 R

51.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

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2020
R2019
R

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
None	None

2020
R2019
R

51.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	34 135 463	4 345 376
Irregular expenditure current year	20 177 738	21 840 637
Irregular expenditure previous financial years(2014/15, 2015/16,2016/17)	-	13 778 804
Expenditure authorised i.t.o. Section 32 of MFMA	(51 640 060)	(5 829 354)
Current year	(17 504 597)	(1 483 978)
Prior years	(34 135 463)	(4 345 376)
Irregular expenditure awaiting further action	2 673 140	34 135 463

2020
R2019
R

Irregular expenditure can be summarised as follow:

Prior years (2014/15, 2015/16, 2016/17)

Incident	Disciplinary steps/criminal proceedings		
Asla Construction - non compliance with SCM regulations	Written off 2019/20	-	5 440 304
Esri - non compliance with SCM regulations	Written off 2019/20	-	219 922
Lucromsoft - non compliance with SCM regulations	Written off 2019/20	-	127 604
Mubeko Africa CC - non compliance with SCM regulations	Written off 2019/20	-	900 587
TMT Services - non compliance with SCM regulations	Written off 2019/20	-	1 827 767
DS Martin - non compliance with SCM regulations	Written off 2019/20	-	209 454
GC Martin - non compliance with SCM regulations	Written off 2019/20	-	147 896
Lawnrangers - non compliance with SCM regulations	Written off 2019/20	-	18 330
TW Davids - non compliance with SCM regulations	Written off 2019/20	-	215 440
AH Windvogel - non compliance with SCM regulations	Written off 2019/20	-	437 624
Jan Swanepoel - non compliance with SCM regulations	Written off 2019/20	-	200 897
Swellen Konstruksie - non compliance with SCM regulations	Written off 2019/20	-	34 779
Neo Technologies (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	354 845
TRF Sport - non compliance with SCM regulations	Written off 2019/20	-	53 864
SWD Bandediens BK - non compliance with SCM regulations	Written off 2019/20	-	304 944
Safety Protective Clothing - non compliance with SCM regulations	Written off 2019/20	-	8 772
Mastermac Auto Repairs (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	172 250
AAD Truck & Bus (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	409 703
Techno Serve Medium Voltage (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	1 706 850
Benver Civils & Plant Hire - non compliance with SCM regulations	Written off 2019/20	-	618 852
Molla Consulting Engineers (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	120 931
First Technologies (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	53 155

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Corrogo Workforce Solutions - non compliance with SCM regulations	Written off 2019/20	-	8 500
Power Meter Technics (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	111 620
Johan Kemp - non compliance with SCM regulations	Written off 2019/20	-	73 916
		-	13 778 804
Previous year (2018/19)			
Theewaterskloof Municipality - non compliance with SCM regulations	Written off 2018/19	-	67 201
Streicher Trust - non compliance with SCM regulations	Written off 2019/20	-	83 700
GeoDebt - non compliance with SCM regulations	Written off 2018/19	-	1 285 365
GeoDebt - non compliance with SCM regulations - June 2019 SMS's	Written off 2019/20	-	3 350
LC Eksteen - non compliance with SCM regulations	Written off 2018/19	-	1 236
T Sedgewick Holdings (Pty) Ltd - non compliance with SCM	Written off 2018/19	-	130 176
Lexis Windeed - non compliance with SCM regulations	Written off 2019/20	-	74 670
HD Transmission - non compliance with SCM regulations	Written off 2019/20	-	78 034
Rola Ford - non compliance with SCM regulations	Written off 2019/20	-	516 958
Automation Works - non compliance with SCM regulations	Written off 2019/20	-	64 237
ARB Electrical - non compliance with SCM regulations	Written off 2019/20	-	118 600
Massive Quantum - non compliance with SCM regulations	Written off 2019/20	-	62 550
Ian Dicky - non compliance with SCM regulations	Written off 2019/20	-	88 860
RJ Consani - non compliance with SCM regulations	Written off 2019/20	-	280 365
Take Note Trading - non compliance with SCM regulations	Written off 2019/20	-	252 570
Asla Construction - non compliance with SCM regulations	Written off 2019/20	-	649 766
Esri - non compliance with SCM regulations	Written off 2019/20	-	213 887
Lucromsoft - non compliance with SCM regulations	Written off 2019/20	-	143 000
Mubesko Africa CC - non compliance with SCM regulations	Written off 2019/20	-	1 000 958
DELL - non compliance with SCM regulations	Written off 2019/20	-	18 079
TMT Services - non compliance with SCM regulations	Written off 2019/20	-	2 073 601
Bredasdorp Armed Response - non compliance with SCM regulations	Written off 2019/20	-	589 083
Kernanzi (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	362 238
Mantella IT Support Services (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	154 003
TPM Stadsbeplanning - non compliance with SCM regulations	Written off 2019/20	-	53 520
Ayanda Mbanga Communications - non compliance with SCM regulations	Written off 2019/20	-	12 205
Ikamva Facilities Management CC - non compliance with SCM regulations	Written off 2019/20	-	475 000
Destinate Solutions (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	600 000
PNB Civils and Safety (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	85 000
PNB Civils and Safety (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	74 580
Ibini (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	164 850
Turf Cutters (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	41 099

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FLO Specialized Product Solutions - non compliance with SCM regulations	Written off 2019/20	-	115 055
Elinesman (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	11 720
Forms Media Independent Africa - non compliance with SCM regulations	Written off 2019/20	-	42 850
LH Marthinussen a Division of Actom - non compliance with SCM regulations	Written off 2019/20	-	60 266
Fidelity Cash Solutions (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	141 480
Sanlam Employee Benefits - non compliance with SCM regulations	Written off 2019/20	-	213 687
DS Martin - non compliance with SCM regulations	Written off 2019/20	-	17 979
GC Martin - non compliance with SCM regulations	Written off 2019/20	-	14 333
Lawnrangers - non compliance with SCM regulations	Written off 2019/20	-	3 031
TW Davids - non compliance with SCM regulations	Written off 2019/20	-	46 960
AH Windvogel - non compliance with SCM regulations	Written off 2019/20	-	48 784
Jan Swanepoel - non compliance with SCM regulations	Written off 2019/20	-	39 680
Swellen Konstruksie - non compliance with SCM regulations	Written off 2019/20	-	92 390
TRF Sport - non compliance with SCM regulations	Written off 2019/20	-	41 792
SWD Bandediens BK - non compliance with SCM regulations	Written off 2019/20	-	350 410
TRF Sport - non compliance with SCM regulations	Written off 2019/20	-	9 072
Safety Protective Clothing - non compliance with SCM regulations	Written off 2019/20	-	66 486
Ganedhi Trading Enterprise - non compliance with SCM regulations	Written off 2019/20	-	7 066
Techno Serve Medium Voltage (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	1 596 215
Mastermac Auto Repairs (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	405 659
AAD Truck & Bus (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	1 376 013
Hydrenco (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	86 228
Benver Civils & Plant Hire - non compliance with SCM regulations	Written off 2019/20	-	5 488 692
Nico Swart Consultancy (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	612 638
Wireless Web Technologies (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	825 908
Motla Consulting Engineers (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	95 754
Power Meter Technics (Pty) Ltd - non compliance with SCM regulations	Written off 2019/20	-	134 380
Johan Kemp - non compliance with SCM regulations	Written off 2019/20	-	77 364
		-	21 840 637

Current year (2019/20)			
Asia Construction - non compliance with SCM regulations	Written off 2019/20	14 685 479	-
Asia Construction - non compliance with SCM regulations	non	480 292	-
Esri - non compliance with SCM regulations	Written off 2019/20	86 241	-
Lucromsoft - non compliance with SCM regulations	Written off 2019/20	156 000	-
TMT Services - non compliance with SCM regulations	Written off 2019/20	1 196 539	-
TMT Services - non compliance with SCM regulations	non	123 755	-
Mubesko Africa CC - non compliance with SCM regulations	non	1 057 553	-

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Agri World Recycling - non compliance with SCM regulations	non	1 005 550	-
GeoDebt - non compliance with SCM regulations	Written off 2019/20	1 380 338	-
GeoDebt - non compliance with SCM regulations - May and June 2020 SMS's	non	5 990	-
		20 177 738	-

Irregular expenditure in relation to the non compliance of the Municipal Supply Chain Regulations 29(2) and not approved in terms of section 32 would be further investigated during 2020/21.

51.4 Material Losses	2020 R	2019 R
Water distribution losses		
Units purified (kl)	1 613 921	1 536 421
Units lost during distribution (ml)	300 609	248 837
Percentage lost during distribution	18,63%	16,20%
Electricity distribution losses		
Units purchased (Kwh)	50 881 068	57 017 662
Units lost during distribution (Kwh)	4 899 847	5 930 498
Percentage lost during distribution	9,63%	10,40%

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
52.1 <u>Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)</u>		
Opening balance	-	-
Council subscriptions	1 061 262	946 837
Amount paid - current year	-	(946 837)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	1 061 262	-
	2020 R	2019 R
52.2 <u>Audit fees - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year audit fee	2 366 057	2 338 812
External Audit - Auditor-General	2 269 366	2 259 201
Audit Committee	96 692	79 612
Amount paid - current year	(2 366 057)	(2 338 812)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
	2020 R	2019 R
52.3 <u>VAT - [MFMA 125 (1)(c)]</u>		
Balance at year-end - Refer to note 21	1 188 968	2 579 641
Closing balance	1 188 968	2 579 641
VAT is payable on the receipt basis. Only once payments are received from the debtors VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
	2020 R	2019 R
52.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year payroll deductions	15 152 213	13 604 098
Amount paid - current year	(15 152 213)	(13 604 098)
Balance unpaid (included in creditors)	-	-
	2020 R	2019 R
52.5 <u>PENSION AND MEDICAL AID DEDUCTIONS - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	25 363 209	23 190 406
Amount paid - current year	(25 363 209)	(23 190 406)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
52.6 <u>COUNCILLOR'S ARREAR CONSUMER ACCOUNTS - [MFMA 124 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2020:		
	Outstanding more than 90 days	
None	-	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

52.7 MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS - PROMULGATED BY GOVERNMENT GAZETTE 27636 DATED 30 MAY 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

SCM Reg	Short Description	Amount	Percentage
36(1)(a)(i)	Emergency / Urgent	85 430	3,49%
36(1)(a)(ii)	Sole Supplier	129 638	5,29%
36(1)(a)(iii)	Historical works	18 150	0,74%
36(1)(a)(iv)	Animals for zoo	-	0,00%
36(1)(a)(v)	Impractical / Impossible	2 210 132	90,26%
36(1)(b)	Minor Breaches	5 145	0,21%
		2 448 495	100%

Summary per Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Procurement < R30k	163 359	12 148	36 583	55 660	267 750	10,94%
Procurement > R30k < R200k	-	-	216 920	79 868	296 788	12,12%
Procurement > R200k	-	461 406	1 422 550	-	1 883 956	76,94%
	163 359	473 554	1 676 053	135 528	2 448 494	100%

Summary per Department	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total	Percentage
Municipal Manager	83 000	-	72 000	2 728	157 728	6,44%
Corporate Services	-	-	-	-	-	0,00%
Financial Services	-	-	-	95 709	95 709	3,91%
Infrastructure Services	45 368	471 054	1 466 884	18 677	2 001 983	81,76%
Community Services	34 991	2 500	137 169	18 414	193 074	7,89%
	163 359	473 554	1 676 053	135 528	2 448 494	100,00%

52.8 AWARDS ABOVE R2 000 TO SPOUSES, CHILDREN OR PARENTS OF A PERSON IN SERVICE OF THE STATE

Company	Employee Name	Relation	2020 R	2019 R
Hein's Auto Elektries	J. de Jager	Brother	31 311	100 185
Kemanzi	J.N. du Toit	Spouse	414 753	760 653
Lebazi Brothers (Pty) Ltd	Cllr G. Lebazi	Aunt	6 465	19 863
Khol San Cave Holdings	G. Jansen / A. Jansen	Son / Daughter in law	19 923	19 230
Neldin Voorsieners	N. Pietersen	Wife	29 923	21 903
Masakhane Training	Q. Martin	Husband	28 648	-
Jonathan Oktober	M. Oktober	Wife	35 519	-
Molatuseli (Pty) Ltd	A. Sindloyi	Son	1 800	-

53 DISCLOSURES IN TERMS OF BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT

Information on Compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information

54. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2020 R	2019 R Restated
The potential impact on the entity's surplus/(deficit) for the year, due to changes in interest rates, is as follows:		
2020 (.5%), 2019 (1%) increase in interest rates	(8 132)	(26 935)
2020 (.25%), 2019 (1%) decrease in interest rates	4 066	26 935

The comparative information has been restated due to the previous year amounts which have been erroneously reported in the incorrect year.

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Credit risk arises mainly out of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 10 and 11 for all balances outstanding longer than 30 days. These balances represent all debtors at year-end which defaulted on their credit terms.

	2020 %	2020 R	2019 %	Restated 2019 R	Previously Reported 2019 R
<u>Non-exchange Receivables</u>					
Rates	23,18%	<u>4 781 888</u>	22,40%	<u>4 282 528</u>	<u>6 908 424</u>
<u>Exchange Receivables</u>					
Electricity	16,15%	3 332 143	10,48%	2 003 917	6 132 945
Water	19,65%	4 054 173	19,96%	3 816 974	5 083 334
Refuse	12,76%	2 631 979	14,31%	2 736 649	3 533 918
Sewerage	20,51%	4 232 570	22,19%	4 242 414	5 550 376
Rentals	0,28%	58 728	1,19%	227 907	257 080
Sundry Receivables	7,47%	1 540 449	9,48%	1 812 287	1 898 074
	100,00%	<u>15 850 042</u>	100,00%	<u>14 840 147</u>	<u>22 455 726</u>

The comparative information has been restated due to the incorrect inclusion of debtors with amounts payable (0-30 days) as disclosed in the 2019 year.

No receivables are pledged as security for financial liabilities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Due to the short term nature of trade and other receivables the carrying value disclosed in note 10 and 11 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follows:

	2020 %	2020 R	2019 %	2019 R
<u>Non-exchange Receivables</u>				
Rates	6,46%	4 154 560	6,46%	4 073 287
Traffic Fines	69,39%	44 628 107	71,73%	45 212 261
<u>Exchange Receivables</u>				
Services	24,15%	15 533 181	21,81%	13 747 296
	100,00%	64 315 847	100,00%	63 032 844

The provision for bad debts for rates and services could be allocated between the different categories of receivables as follows:

	2020 %	2020 R	2019 %	2019 R
Government	0,58%	113 721	4,48%	798 454
Industrial	12,79%	2 517 567	11,42%	2 035 487
Residential	86,63%	17 056 452	84,10%	14 986 642
	100,00%	19 687 740	100,00%	17 820 583

Ageing of amounts past due but not impaired are as follows:

	Exchange Receivables	Non-exchange Receivables
2020		
Past due	581 450	480 554
2019		
Past due	1 092 550	209 241

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Debtors are individually evaluated annually at year-end for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2020 R	2019 R
Financial assets exposed to credit risk at year-end are as follows:		
Receivables from exchange transactions	27 612 739	22 455 726
Receivables from non-exchange transactions	59 125 110	60 907 154
Cash and Cash Equivalents	88 895 856	74 938 990
	175 633 705	158 301 870

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year-end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2020				
Long-term Liabilities	6 654 034	20 939 630	16 851 673	-
Trade and Other Payables	28 867 431	-	-	-
Provision for Landfill site rehabilitation	20 722 516	28 310 169	-	5 319 921
	56 243 980	49 249 799	16 851 673	5 319 921
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	6 778 616	22 940 095	21 584 957	-
Trade and Other Payables	24 348 200	-	-	-
Provision for Landfill site rehabilitation	20 168 284	23 095 159	-	10 030 576
	51 295 101	46 035 254	21 584 957	10 030 576
			2020	2019
			R	R

55. FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

55.1	<u>Financial Assets</u>	<u>Classification</u>	2020 R	2019 R Restated
	Investments		-	-
			2020 R	2019 R
	Non-Current Receivables			
	Receivables with repay arrangements	Financial Instruments at amortised cost	1 161 356	1 629 555
			2020 R	2019 R
	Receivables from Exchange Transactions			
	Electricity	Financial Instruments at amortised cost	9 274 442	5 867 133
	Water	Financial Instruments at amortised cost	6 038 125	4 681 615
	Refuse	Financial Instruments at amortised cost	3 649 330	3 209 390
	Sewerage	Financial Instruments at amortised cost	5 828 917	5 031 937
	Rentals	Financial Instruments at amortised cost	95 242	256 762
	Sundry Receivables	Financial Instruments at amortised cost	1 565 326	1 779 336

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
Cash and Cash Equivalents	<u>Classification</u>		
Bank Balances	Financial Instruments at amortised cost	88 194 572	74 238 990
Call Deposits	Financial Instruments at amortised cost	701 284	700 000
Total Financial Assets		116 508 595	97 394 716

		2020	2019
		R	R

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at cost: -

		2020	2019
		R	R
Financial Instruments at amortised cost:	<u>Classification</u>		Restated
Non-Current Receivables	Receivables with repay arrangements	1 161 356	1 629 555
Receivables from Exchange Transactions	Electricity	9 274 442	5 867 133
Receivables from Exchange Transactions	Water	6 038 125	4 681 615
Receivables from Exchange Transactions	Refuse	3 649 330	3 209 390
Receivables from Exchange Transactions	Sewerage	5 828 917	5 031 937
Receivables from Exchange Transactions	Rentals	95 242	266 762
Receivables from Exchange Transactions	Sundry Receivables	1 565 326	1 779 336
Cash and Cash Equivalents	Bank Balances	88 194 572	74 238 990
Cash and Cash Equivalents	Call Deposits	701 284	700 000
		116 508 595	97 394 716
Total Financial Assets		116 508 595	97 394 716

The comparative information relating to receivables from exchange transactions have been restated due to inclusion of non current receivable previously included in the receivables from exchange transactions and not disclosed separately.

		2020	2019
		R	R
			Restated

55.2 Financial Liabilities

	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	27 380 710	29 735 690
Capitalised Lease Liability	Financial Instruments at amortised cost	612 667	1 191 066
Hire Purchase	Financial Instruments at amortised cost	458 638	1 009 323

		2020	2019
		R	R
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	25 596 517	20 470 966
Accrued Interest	Financial Instruments at amortised cost	577 034	641 231
Advance Payments	Financial Instruments at amortised cost	1 681 890	1 736 031
Pre-Paid Electricity	Financial Instruments at amortised cost	667 935	555 797
Other Payables	Financial Instruments at amortised cost	73 966	3 302
Retentions	Financial Instruments at amortised cost	270 088	940 874

		2020	2019
		R	R
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	-	-
		57 319 444	56 284 280

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		R	R
			Restated
SUMMARY OF FINANCIAL LIABILITIES			
Financial Instruments at amortised cost:	<u>Classification</u>		
Long-term Liabilities	Annuity Loans	27 380 710	29 735 690
Long-term Liabilities	Capitalised Lease Liability	612 667	1 191 066
Long-term Liabilities	Hire Purchase	458 638	1 009 323
Trade and Other Payables	Trade Payables	25 596 517	20 470 966
Trade and Other Payables	Accrued Interest	577 034	641 231
Trade and Other Payables	Advance Payments	1 681 890	1 736 031
Trade and Other Payables	Control, Clearing and Interface Accounts	667 935	555 797
Trade and Other Payables	Other Payables	73 966	3 302
Trade and Other Payables	Retentions	270 088	940 874
Cash and Cash Equivalents	Bank Overdraft	-	-
		57 319 444	56 284 280
		2020	2019
		R	R

56 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes			
VAT Receivable		1 188 968	2 579 641
Receivables from Non-Exchange Transactions		58 787 482	60 442 074
Rates		7 750 632	6 908 424
Fines		51 036 850	53 533 650
Total Statutory Receivables (before provision)		59 976 450	63 021 714
Less: Provision for Debt Impairment		(48 782 667)	(49 285 547)
Total Statutory Receivables (after provision)		11 193 783	13 736 167

Statutory Receivables arises from the following legislation:

- Taxes - Value Added Tax Act (No 89 of 1991)
- Rates - Municipal Properties Rates Act (No 6 of 2004)
- Fines - Criminal Procedures Act

Statutory receivables are initially measured at transaction value and subsequently at cost.

	2020	2019
	R	R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2 968 744	2 625 896
31 - 60 Days	864 067	692 296
61 - 90 Days	713 244	148 619
+ 90 Days	3 204 576	3 441 613
Total	7 750 632	6 908 424

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Fines): Ageing</u>		
Current (0 - 30 days)	1 986 300	4 448 150
31 - 60 Days	437 850	2 806 350
61 - 90 Days	3 010 700	2 245 800
+ 90 Days	45 602 000	44 033 350
Total	51 036 850	53 533 650

The material decline in the ageing in 2020 is due to the severe impact of the COVID-19 disaster management measurements.

	2020 R	2019 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	49 285 547	47 227 486
Contribution to provision	81 273	2 802 687
Reversal of provision	(584 153)	(744 626)
Balance at end of year	48 782 666	49 285 547

	2020 R	2019 R
<u>Interest Received from Statutory Receivables</u>		
Taxes	248 925	158 273
	248 925	158 273

57.1 PRINCIPAL - AGENT ARRANGEMENTS

Principal in Principal-Agent Arrangement

	2020 R	2019 R
Compensation paid for agency activities		
Commission - Oasis	26 122	30 392
Commission - Syntell	1 837 262	1 520 896
Commission - TMT	1 229 158	2 106 319
Total Compensation paid	3 092 541	3 657 607

Swellendam Municipality paid 5% commission on the rand value of pre-paid electricity sales as reflected in the Syntell Vending Gateway reports. Syntell exclusively dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021.

Swellendam Municipality paid 2% commission on the rand value of pre-paid electricity sales. Oasis dispense and sell pre-paid electricity on behalf of the municipality. As per the agreed terms of conditions of a contract entered between the parties for a 3 year period which is due to lapse on 30 June 2021.

Swellendam Municipality entered into an agreement with TMT for the supply, deliver and administrative support of traffic fines collections and camera equipment with related operational support. The contract is for a 3 year period which lapsed on 30 June 2020. In terms of the agreement, the municipality pays R92,01, R87,62 (2019) per paid traffic fine as commission for services delivered.

	2020 R	2019 R
<u>Resources under custodianship of agent at year-end</u>		
Computer, printer and monitor	103	630
	103	630

The above resources are under the custodianship of the agent and have not been recognised by the agent. Such resources will be remitted back to Swellendam Municipality.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

57.2 Agent in arrangement

Swellendam municipality is the agent in the Principal-Agent arrangement with the Western Cape Government: Department of Transport and Public Works. The municipality is issuing motor vehicle licences and managing the NAVIS system on behalf of the Provincial Government. Commission is based on a percentage of the licence fees issued and are deducted from payments due to the Provincial Government. The net amounts are paid over on a prescribed timeframe in a dedicated bank account.

	2020	2019
	R	R
Compensation received for agency activities		
Commission	1 938 743	2 102 191
Total Compensation received	1 938 743	2 102 191

Swellendam Municipality was paid 12% of vehicle licence renewals commission to the Department of Transport and Public Works for acting as an agent on its behalf during the financial year.

Resources under custodianship at year-end

None

58 IN-KIND DONATIONS AND ASSISTANCE

2020
R

2019
R

The municipality received assets as set out in note 25. No other in kind assistance to be recognised as revenue in terms of GRAP 23 was received during the year under review.

-

59 PRIVATE PUBLIC PARTNERSHIPS

2020
R

2019
R

Council has not entered into any private public partnerships during the financial year.

-

60 CONTINGENT LIABILITY

2020
R

2019
R

Bank Guarantees

In Favour of Eskom	2 000	2 000
In Favour of Department of Minerals and Energy (RSA)	20 000	20 000
In Favour of Powell Kelly Veldman	700 000	700 000

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Swellendam Municipality vs M Steenkamp - Case Number 1826/2014

Defended litigation: Claim for wasted expenditure and counter claim for damages: Legal cost approximately R75 000.	-	75 000
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P Muller vs Swellendam Municipality - Case Number WCP 121714

Unfair dismissal: Employee related cost R700 000 and legal cost of approximately R50 000.	750 000	750 000
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A Gaffley vs Swellendam Municipality - Case Number WCP 121712

Unfair dismissal: Employee related cost R438 774 and legal cost of approximately R7 846.	-	446 620
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Illegal Squatters - Application for interdict and eviction

Application for interdict and eviction - Legal cost of approximately R100 000.	-	100 000
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SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

JC Nortje vs MEC, IEC and Swellendam Municipality.

	2020	2019
	R	R
Review application to set aside the decision of the MEC to remove Alderman Nortje as a Councillor - Legal cost of approximately R50 000.	50 000	-

R van Rooi - Case number C385/2016

Unfair labour practice dispute - Legal cost of approximately R50 000.	50 000	-
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JH Barry & JG Loubser Lismore Trust

Damages to property due to fire - Claim for damages R149 000 and legal cost of approximately R35 000.	184 000	-
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Cancom Canfleet vs TMT and Western Cape

Application for review and declaration order - Legal cost of approximately R10 000.	10 000	-
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1 044 000

1 371 620

61 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

61.1 Related Party Transactions

	Rates and Services	Outstanding Balance	Rates and Services	Outstanding Balance
Year ended 30 June 2020	2019 R	2019 R	2020 R	2020 R
Councillors				
Cllr E.J. Lamprecht	28 274	3 248	28 879	3 005
Cllr J.A. Matthysen	18 759	5 742	20 007	1 017
Cllr M.G. du Plessis	12 199	962	13 062	1 030
Cllr M.G. Jonker-du Plessis	9 437	4 760	876	73
Cllr M.J. Koch	37 413	5 803	58 546	1 405
Cllr M.T. Swart	10 901	485	13 441	762
Cllr A.M. Pokwas	28 140	1 220	29 872	1 403
Cllr J.C. Nortje (period 01 July 2018 to 6 May 2019)	49 143	2 119	-	-
Cllr H.F. du Rand	21 128	1 040	21 851	1 140
Cllr G. Lebazi	10 999	612	11 060	655
	224 393	25 991	197 594	10 491
Senior Managers-Section 57 Employees				
F. Erasmus	5 103	1 701	10 900	9 482
H. Schlebusch	26 672	1 292	31 005	1 291
D. du Plessis	28 014	1 374	29 691	1 253
	59 790	4 367	71 596	12 026

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	88 703	184 782	22 365
H. Schlebusch	Director Financial Services	147 182	183 553	7 393
F.P. Erasmus	Director Engineering Services	126 638	157 595	-
K.D. Stuurman	Director Community Services	111 339	174 851	3 405
D. du Plessis	Director Corporate Services	94 559	179 201	9 786
		568 422	879 982	42 950

The municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Performance Bonus Obligations	Travel and Subsistence paid
A.M. Groenewald	Municipal Manager	54 803	179 756	41 410
H. Schlebusch	Director Financial Services	205 296	172 283	27 124
F.P. Erasmus	Director Engineering Services	76 485	153 311	8 092
K.D. Stuurman	Director Community Services	98 193	168 845	6 522
D. du Plessis	Director Corporate Services	144 952	168 845	10 619
		579 728	843 040	93 767

61.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

61.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 34 of the Annual Financial Statements.

61.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

			2020 R	2019 R
Lebazi Brothers (Pty)Ltd	Cllr G. Lebazi	Aunt	6 465	19 863
			6 465	19 863

62. EVENTS AFTER REPORTING PERIOD

National Treasury has gazetted an adjusted Equitable share of R4 579 000 which would be receivable during 2020/2021 to cover COVID-19 expenses.

Within the municipal space, the effects of COVID-19 is likely to be a ongoing event which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognised. Council has approved our revised budget in June 2020 for the year 2019/20 financial year which includes two grants from National and Provincial Treasury to mitigate the economic impact of the virus on our communities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

63. FINANCIAL SUSTAINABILITY

National Treasury has issued circular 71 in terms of the Municipal Finance Management Act, with the purpose to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities to assess and compare the financial health and performance of municipalities. These ratios are not a compulsory GRAP or other legal requirement, but management disclose this information to inform policy makers and the public to form a good sense of the financial status of the municipality.

For this reason, the following indicators are provided:

	Norm	2020	2019
Capital Expenditure to Total Expenditure	10% - 20%	10,77%	6,43%
Impairment of PPE, Investment Property and Intangible Assets (Carrying Value)	0,00%	0,03%	1,80%
Repairs and Maintenance as % of PPE and Investment Property (Carrying Value)	8,00%	5,22%	5,91%
Collection Rate	> 95%	94,47%	98,21%
Bad Debts Written-off as % of Provision for Bad Debt	100,00%	5,34%	1,43%
Net Debtors Days	< 30 days	50,50	51,24
Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 months	4,17	4,02
Current Assets / Current Liabilities	1.5 - 2 : 1	1,88	1,02
Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	2,59%	2,70%
Debt (Total Borrowings) / Revenue	< 45%	9,24%	12,30%
Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	> 100%	625,32%	595,27%
Net Operating Surplus Margin	> 0%	14,93%	5,61%
Net Surplus / Deficit Electricity	0 - 15%	12,45%	22,39%
Net Surplus / Deficit Water	> 0%	54,91%	37,11%
Net Surplus / Deficit Sanitation and Waste Water	> 0%	195,24%	-7,90%
Net Surplus / Deficit Refuse	> 0%	-9,79%	2,23%
Revenue Growth	CPI	18,55%	4,81%
Revenue Growth (excluding Capital Grants)	CPI	14,73%	6,97%
Creditors Payment Period (Trade Creditors)	> 30 days	44,69	37,56
Remuneration as % of Total Operating Expenditure	25% - 40%	39,32%	37,02%
Contracted Services as % of Total Operating Expenditure	2% - 5%	6,10%	7,16%
Own Source Revenue to Total Operating Revenue (including Agency Revenue)	None	78,08%	79,50%

Other Indicators

Possible outflow of recourse due the contingent liabilities disclosed in note 60.

From the above information, management is of the opinion that the municipality is operating fairly well within the parameters of the norms and would therefore be able to continue to operate as a going concern and perform its duties as set out in the National Constitution.

APPENDIX A
SWELLENDAM MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2019	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2020
ANNUITY LOANS								
STREETS - DBSA	8,08%	61003251	2021	61 407	-	-	30 704	30 704
UPGRADING OF ELECTRICAL NETWORK-DBSA	8,53%	61003274	2021	263 152	-	-	105 261	157 891
INFRASTRUCTURE- PHASE 2-DBSA	10,56%	61000149	2024	2 342 678	-	-	376 919	1 965 759
INFRASTRUCTURE- PHASE 3-DBSA	8,89%	61000371	2025	2 615 438	-	-	312 246	2 303 192
INFRASTRUCTURE-2007-DBSA	11,12%	61000744	2029	3 318 944	-	-	193 636	3 125 308
INFRASTRUCTURE-2008-DBSA	12,20%	61000846	2030	16 311 428	-	-	702 175	15 609 253
INFRASTRUCTURE -2015-ABSA	9,00%		2025	4 822 642	-	-	634 040	4 188 602
Total Annuity Loans				29 735 689	-	-	2 354 980	27 380 709
HIRE PURCHASE								
ABSA	8,00%		2021	1 009 324	-	-	550 637	458 637
Total Hire Purchases				1 009 324	-	-	550 637	458 637
LEASE LIABILITY								
CENTRAFİN	10,00%			1 191 067	-	-	578 400	612 666
Total Lease Liabilities				1 191 067	-	-	578 400	612 666
TOTAL EXTERNAL LOANS				31 936 081	-	-	3 484 067	28 452 011

APPENDIX B
SWELLENDAM MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
(29 483 768)	17 522 748	(11 961 020)	Governance and Administration	(33 577 672)	24 011 222	(9 566 450)
(49 766 022)	37 867 930	(11 898 092)	Executive and council	(49 232 421)	38 761 596	(10 470 825)
(132 804)	1 312 211	1 179 407	Finance and administration	-	1 381 403	1 381 403
			Internal audit			
(7 070 561)	12 374 577	5 304 016	Community and Public Safety	(5 974 254)	9 902 439	3 928 184
(2 400)	8 483 205	8 480 805	Community and social services	(1 034 659)	9 567 126	8 532 467
(1 621 966)	2 381 525	759 559	Sport and recreation	(12 896 999)	1 927 874	(10 969 126)
			Housing			
(1 177 693)	3 966 324	2 788 632	Economic and Environmental Services	(985 762)	4 877 799	3 892 036
(59 524 422)	67 741 686	8 217 264	Planning and development	(47 248 049)	58 326 844	11 078 795
			Road transport			
(83 078 029)	67 878 105	(15 199 923)	Trading Services	(85 381 899)	75 925 611	(9 456 288)
(16 766 755)	12 228 953	(4 537 802)	Energy sources	(17 772 272)	11 472 906	(6 299 366)
(15 031 046)	16 320 833	1 289 787	Water management	(45 021 174)	15 248 770	(29 772 404)
(8 623 331)	8 435 017	(188 314)	Waste water management	(9 477 653)	10 506 668	1 029 014
-	1 213 482	1 213 482	Waste management	-	743 487	743 487
			Other			
(272 278 797)	257 726 597	(14 552 199)	Sub Total	(308 602 816)	262 653 742	(45 949 073)

APPENDIX C
SWELLENDAAM MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
			Municipal Manager			
(5 882)	3 774 153	3 768 270	Municipal Manager	(818 437)	4 842 709	4 024 272
-	10 920	10 920	Local Economic Development	-	9 651	9 651
-	300 777	300 777	IDP	-	326 224	326 224
(132 804)	1 312 211	1 179 407	Internal Audit	-	1 381 403	1 381 403
-	1 213 482	1 213 482	Tourism	-	743 487	743 487
			Finance Services			
-	564 684	564 684	Budget and Treasury Office	-	1 154 239	1 154 239
(48 562 909)	18 822 573	(29 740 336)	Financial Services	(49 060 105)	19 910 234	(29 149 870)
(121 524)	576 727	455 203	Stores	-	479 191	479 191
-	2 545 308	2 545 308	Information Technology	-	2 695 574	2 695 574
-	2 046 031	2 046 031	Supply Chain Management	-	2 261 269	2 261 269
			Corporate Services			
(837 712)	19 012	(818 699)	Building Control	(631 295)	10 660	(620 635)
(857 591)	8 454 413	7 596 822	Corporate Services	(165 332)	7 405 779	7 240 447
(29 477 886)	13 748 596	(15 729 290)	Council General	(32 759 235)	19 168 513	(13 590 722)
(997)	35 075	34 078	Rented Buildings	(6 984)	10 000	3 016
(223 001)	567 215	344 214	Office Buildings	-	392 420	392 420
-	3 194 857	3 194 857	Human Resources	-	3 135 911	3 135 911
(339 981)	3 635 616	3 295 635	Town Planning	(354 467)	4 531 264	4 176 797
			Community Services			
(930 660)	2 008 904	1 078 244	Caravan Park	(916 769)	1 241 698	324 929
(63 585)	95 224	31 638	Cemeteries	(49 155)	57 432	8 278
(285 654)	3 462 909	3 177 255	Community Services	(54 757)	3 397 976	3 343 219
-	282 714	282 714	Commonage	-	168 686	168 686
(170 206)	995 500	825 294	Halls	(119 910)	951 169	831 259
(1 621 966)	2 381 525	759 559	Housing	(12 896 999)	1 927 874	(10 969 126)
(5 007 800)	5 226 690	218 890	Library	(5 143 905)	4 926 408	(217 497)
-	7 989 156	7 989 156	Parks	-	8 033 340	8 033 340
(13 819)	11 805	(2 014)	Pound	(1 485)	983	(502)
(8 623 331)	8 435 017	(188 314)	Refuse	(9 477 653)	10 506 668	1 029 014
(2 400)	494 049	491 649	Sports and Recreation	(117 890)	292 087	174 197
(45 758 909)	45 765 080	6 171	Traffic and Licensing	(35 732 847)	37 462 668	1 729 821
(612 656)	585 350	(27 306)	Thusong Multipurpose Center	(606 529)	569 453	(37 076)
			Engineers Services			
(83 015 729)	64 880 437	(18 135 292)	Electricity Network	(85 334 792)	72 615 970	(12 718 822)
(62 299)	2 997 668	2 935 369	Electricity Admin	(47 108)	3 309 642	3 262 534
(13 700 035)	8 277 896	(5 422 140)	Engineers Services	(11 467 376)	8 666 477	(2 800 899)
(178 803)	702 082	523 280	Irrigation Water	(325 222)	635 972	310 750
(46 268)	46 268	-	Main Roads	(39 901)	39 901	-
(439 496)	7 263 199	6 823 702	Sewerage Purification	-	5 670 101	5 670 101
(14 565 910)	4 389 452	(10 176 458)	Sewerage Administration	(44 991 385)	4 516 101	(40 475 284)
-	-	-	Sewerage Network	-	-	-
(25 639)	4 668 182	4 642 542	Stormwater	(29 789)	5 062 567	5 032 779
-	1 770 804	1 770 804	Street Lights	-	2 038 390	2 038 390
(5 390)	11 869 833	11 864 443	Streets	(6 440)	10 118 424	10 111 984
(15 742 921)	4 781 340	(10 961 581)	Water Network	(17 447 051)	4 631 126	(12 815 925)
(460 926)	240 664	(220 262)	Water Dams	-	825 733	825 733
(384 105)	6 504 867	6 120 761	Water Purification	-	5 380 076	5 380 076
-	778 333	778 333	Workshop Fleet	-	1 148 291	1 148 291
(272 278 797)	257 726 597	(14 552 199)	Sub Total	(308 602 816)	262 653 742	(45 949 073)

APPENDIX D
SWELLEDAM MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2019	Correction of Error	Restated Balance 30 June 2019	Contributions during the year	Interest on Investments	Repaid to National/Provincial Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020	Unspent (Creditor)	Unpaid 30 June 2020 (Debtor)
National Government Grants											
Equitable Share	-	-	-	91 579 000	-	-	31 579 000	-	-	-	-
Local Government Financial Management Grant	-	-	-	1 770 000	-	-	1 770 000	-	-	-	-
Municipal Disaster Relief Grant	-	-	-	358 000	-	-	74 925	66 740	216 335	216 335	-
Municipal Infrastructure Grant	23 778	-	23 778	11 937 000	-	23 778	596 850	8 840 656	2 499 494	2 499 494	-
Integrated National Electrification Programme (Municipal) Grant	55 632	-	55 632	3 000 000	-	55 632	-	2 998 648	1 352	1 352	-
Expanded Public Works Programme	-	-	-	1 604 000	-	-	1 604 000	-	-	-	-
Total National Government Grants	79 410	-	79 410	50 248 000	-	79 410	35 624 775	11 906 044	2 717 181	2 717 181	-
Provincial Government Grants											
Human Settlements Development Grant	5 763 915	-	5 763 915	11 862 949	-	-	63 700	12 833 299	4 729 865	4 729 865	-
Western Cape Financial Management Support Grant	28 867	-	28 867	330 000	-	28 867	330 000	-	-	-	-
Social Plant Fund	8 847	-	8 847	-	-	-	-	-	8 847	8 847	-
Economic Development Plan	12 000	-	12 000	-	-	-	-	-	12 000	12 000	-
Multi Purpose Settlement	12 810	-	12 810	-	-	-	-	-	12 810	12 810	-
Emergency Housing - Malagas	5 422	-	5 422	-	-	-	-	-	5 422	5 422	-
Library Service Replacement Funding for most vulnerable B3 municipalities	126 626	-	126 626	5 443 000	-	-	5 114 261	-	455 365	455 365	-
Local Government Internship Grant	132 118	-	132 118	-	-	60 118	66 952	-	5 048	5 048	-
Financial Assistance to municipalities for maintenance and construction of Transport Infrastructure	2 963	-	2 963	50 000	-	2 962	39 901	-	10 099	10 099	-
Western Cape Financial Management Capacity Building Grant	316 910	-	316 910	379 000	-	76 910	210 000	-	409 000	409 000	-
Soba	-	-	-	382 917	-	-	165 332	-	217 585	217 585	-
Municipal Service Delivery and Capacity Building Grant	459 544	-	459 544	-	-	-	-	377 392	82 152	82 152	-
Thursio Service Centre Grant	81 427	-	81 427	-	-	-	11 019	-	70 408	70 408	-
Development of Sport and Recreation Facilities	-	-	-	185 000	-	-	-	115 490	49 510	49 510	-
Municipal Electrical Master Plan Grant	-	-	-	1 000 000	-	-	207 000	-	793 000	793 000	-
Local Government Support Grant	-	-	-	500 000	-	-	299 820	-	200 180	200 180	-
Resources for Cycle Infrastructure Project	-	-	-	100 000	-	-	100 000	-	-	-	-
Community Library Service Grant	-	-	-	4 000 000	-	-	-	-	4 000 000	4 000 000	-
Total Provincial Government Grants	6 951 449	-	6 951 449	24 212 866	-	168 857	5 607 985	13 326 181	11 061 252	11 061 252	-
District Municipality											
Total District Municipality Grants	-	-	-	-	-	-	-	-	-	-	-
Other Grant Providers											
Vegetable Project - Buxtehlo	81 723	-	81 723	-	-	-	-	-	81 723	81 723	-
Masabane Projects	2 950	-	2 950	-	-	-	-	-	2 950	2 950	-
Total Other Grant Providers	84 673	-	84 673	-	-	-	-	-	84 673	84 673	-
Total Grants	7 115 533	-	7 115 533	74 460 866	-	248 267	42 232 760	25 232 225	13 863 147	13 863 147	-

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received. No grants were withheld.